

# State of Minnesota



## Comprehensive Annual Financial Report

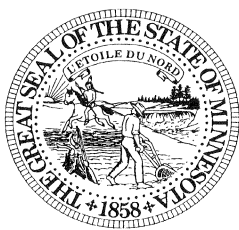
For the Year Ended June 30, 2007

On the Cover:

*Showy Lady's Slipper (Cypripedium reginae)*

The showy lady's slipper is Minnesota's state flower. The showy lady's slipper is one of 43 orchid species that grow in Minnesota. The flowers bloom from early June to mid-July. It grows in spruce and tamarack bogs, swamps, wet meadows, wet prairies, and cool, damp woods. It may be found anywhere in Minnesota where these habitats exist.





State of Minnesota

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# Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

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Prepared by the Minnesota  
Department of Finance  
Tom J. Hanson, Commissioner  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155

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State of Minnesota

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2007  
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The State of Minnesota Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Department of Finance  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155-1489  
651-201-8145

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<http://www.finance.state.mn.us/>

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# Introduction

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State of Minnesota

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## 2007 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Finance

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December 7, 2007



400 Centennial Building  
658 Cedar Street  
St. Paul, Minnesota 55155  
Voice: (651) 201-8000  
Fax: (651) 296-8685  
TTY: 1-800-627-3529

The Honorable Tim Pawlenty, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, the Department of Finance is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2007. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.
- Financial Section – Includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, and the general obligation debt schedules. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.
- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2007. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2008.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## **Financial Reporting Entity and Responsibilities**

The financial reporting entity consists of all the funds of the primary government, as well as its component units. Component units are legally separate organizations for which the state is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Housing Finance Agency, Metropolitan Council, University of Minnesota, Agricultural and Economic Development Board, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, and Workers' Compensation Assigned Risk Plan are component units reported discretely. With the exception of ClearWay Minnesota, the state has either the ability to impose its will over these agencies or provides substantial funding. The state feels that excluding ClearWay Minnesota from the reporting entity would fail to provide a complete overview of tobacco settlement funds.

The Department of Finance is responsible for the Minnesota Accounting and Procurement System (MAPS) and the information warehouse from which these financial statements were prepared. MAPS is maintained primarily on a budgetary basis of accounting. However, certain accrual information is recorded in MAPS. The budgetary basis recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. Since this budgetary basis differs from GAAP, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

The Department of Finance is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

**Budget Process** - The state's fiscal period is a biennium. The governor's biennial budget is presented to the legislature in January of odd numbered years for the upcoming biennium. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Petroleum Tank Cleanup, Minnesota Resources, Natural Resources, Game and Fish, Environmental, Remediation, Special Compensation, and Health Care Access funds.

Budgetary control is provided primarily through the accounting system. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

## **Economic Condition and Outlook**

Minnesota's economy grew during the 2007 fiscal year, but it failed to keep pace with the national averages on a number of key measures. Payroll employment increased by 35,000 between June 2006 and June 2007. This amount was almost identical to that seen in fiscal 2006, leaving the state with 1.3 percent more jobs than at the start of the fiscal year. However, U.S. payroll employment is currently reported to have grown by 1.4 percent over that same period. Minnesota's unemployment rate was identical to the U.S. rate of 4.5 percent in June 2007, an increase of 0.7 percentage points from the 3.8



percent rate reported for the state for June 2006. The U.S. rate fell 0.1 percentage point during that same period.

Personal income growth during fiscal year 2007 again failed to keep pace with the U.S. average. Personal income in Minnesota grew by 5.2 percent between the second quarter of 2006 and the second quarter of 2007. The U.S. average growth rate was 6.4 percent. Personal income growth in Minnesota has been slipping compared to its national counterpart for more than two years. In calendar year 2006, the most recent year for which data is available, Minnesota personal income was \$200.2 billion, 1.83 percent of the U.S. total. During calendar year 2006, personal income grew by 5.1 percent, 1.5 percentage points less than the comparable national growth rate of 6.6 percent. Per capita personal income in Minnesota was \$38,751 in calendar 2006, 5.8 percent more than the U.S. average. In calendar 2005, per capita personal income in Minnesota was 7.1 percent more than the U.S. average. In calendar 2003 and in calendar 2004, personal income was 9.0 percent more than its U.S. counterpart.

Most forecasters expect slower than trend growth for the national economy in fiscal 2008. Global Insight, the state's national economic consultant, calls for real Gross Domestic Product (GDP) to grow at a 2.3 percent annual rate over the fiscal year. Much of that growth occurred during the first quarter of the fiscal year when a real GDP growth rate of 4.9 percent was reported. Global Insight's November baseline forecast calls for growth during the remaining three quarters of the fiscal year to average just 1.2 percent at an annual rate. Extended weakness in the housing sector, credit problems, and higher energy prices are the reasons for the slow growth forecast.

The Minnesota outlook for fiscal 2008 is slightly more pessimistic than the national outlook. State employment is projected to decline by 11,000 jobs between the third quarter of calendar 2007 and the third quarter of calendar 2008. Employment in the construction and manufacturing sectors remains a concern. The housing slump seems to have had a more severe impact on Minnesota's economy than on the national economy. Personal income growth in Minnesota is forecast to be 3.9 percent. Nationally, a growth of 4.7 percent is projected. Personal income growth in Minnesota will again be boosted by strong farm sector earnings.

## **Major Program Initiatives**

Revenues exceeded spending estimates by \$1.0 billion in the fiscal year 2007 budget forecasts. The state used some of these funds to restore the General Fund budgetary reserves as well as reverse the shifts in school aid payments and property tax recognition that had been utilized to balance 2004-05 biennial budget.

A significant portion of the 2007 tax and spending changes were the result of initiatives enacted during the 2005 special session that initially adopted the biennial budget. Supplemental funding was added during the 2006 session for some agencies for fiscal year 2007, including additional funding for the cost of employee contracts in a variety of state institutions that provide direct services to individuals.

During the 2007 legislative session, no significant tax law changes occurred. The budget adopted for the 2008/09 biennium included budgeted increases for a wide array of state agencies and programs, representing an easing of the fiscal constraints of the previous two biennia. The enacted budget authorized spending of \$34.6 billion. The \$1.0 billion one-time surplus of revenue resulting from fiscal year 2007 receipts was a major portion of the \$3.0 billion increase in spending over the previous biennium (9.6 percent increase). Both K-12 education and health and human services have adopted budgets that exceed the previous biennium by more than \$1.0 billion.

Shortly after the enactment of the fiscal year 2008/2009 budget, two major events occurred in Minnesota that changed the outlook from the time of the budget's original adoption. On August 1, 2007, the I-35W bridge over the Mississippi River collapsed in Minneapolis. Reconstruction of this span began quickly, and with federal assistance, the structure should be replaced by December 2008. Further, flooding in southeastern Minnesota in mid-August 2007 resulted in a special session that increased spending and bonding authorizations for recovery efforts.

General Fund budgetary reserves are higher in fiscal 2007 than they will be in the future. During the 2006/2007 biennium, there was a temporary \$110 million Tax Relief Account, which is treated like a reserve in the General Fund. This account balance was released to the General Fund on July 1, 2007 as part of legislation adopted in 2006.

## **Certificate of Achievement**

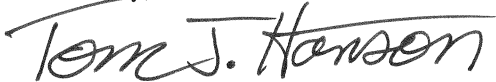
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the twenty-second consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

Although the Department of Finance accepts final responsibility for this report, staff in many other state agencies and component units provided much of the data. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements. I appreciate the dedication of the people in the Department of Finance and in other agencies who helped in the preparation of this report, without whose efforts this report would not have been possible.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Hanson". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

Tom J. Hanson  
Commissioner

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

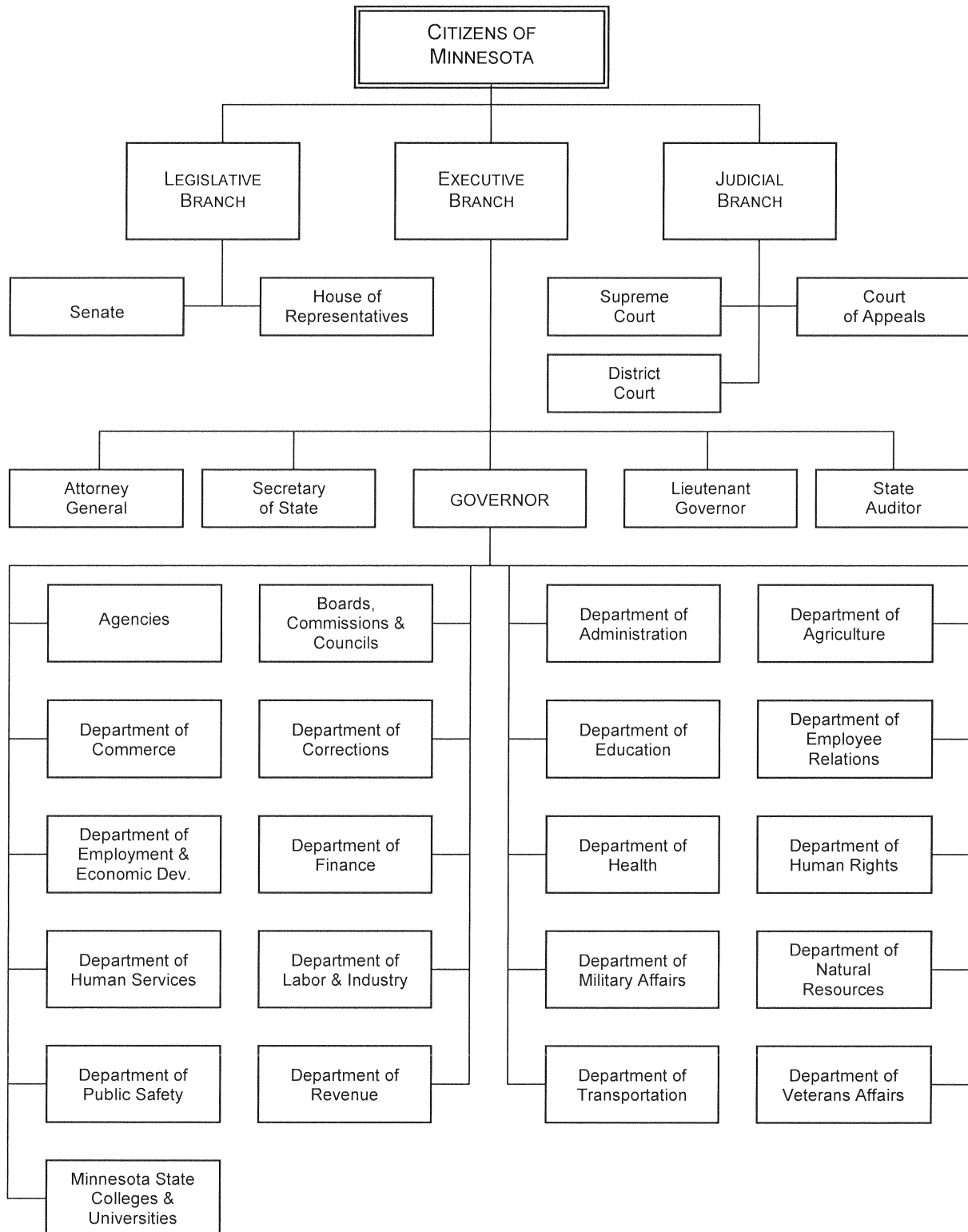


President

Executive Director



## 2007 Comprehensive Annual Financial Report State Organization Chart





State of Minnesota

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## 2007 Comprehensive Annual Financial Report

### State Principal Officials

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#### Executive Branch

|                     |              |
|---------------------|--------------|
| Governor            | Tim Pawlenty |
| Lieutenant Governor | Carol Molnau |
| Attorney General    | Lori Swanson |
| Secretary of State  | Mark Richie  |
| State Auditor       | Rebecca Otto |

#### Legislative Branch

|   |                            |
|---|----------------------------|
| Speaker of the House of Representatives | Margaret Anderson Kelliher |
| President of the Senate                 | James Metzen               |

#### Judicial Branch

|                                    |                     |
|------------------------------------|---------------------|
| Chief Justice of the Supreme Court | Russell A. Anderson |
|------------------------------------|---------------------|





State of Minnesota

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# Financial Section

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## OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

### Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner of Finance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2007, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is both a major proprietary fund and 69 percent, 64 percent, and 37 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of ClearWay Minnesota, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented




Members of the Minnesota State Legislature  
The Honorable Tim Pawlenty, Governor  
Mr. Tom Hanson, Commissioner of Finance  
Page 2

component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of the State of Minnesota's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor

December 7, 2007





## 2007 Comprehensive Annual Financial Report Management's Discussion and Analysis

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### Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2007, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

### Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position, and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information to the users of the financial statements.

### Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the *statement of net assets* and the *statement of activities* that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The *statement of net assets* presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. *Net assets* is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net assets from one year to the next indicates whether the financial position of the state is improving or deteriorating.
- Other indicators of the state's financial condition include the condition of its infrastructure, and economic events and trends that affect future revenues and expenses.

The *statement of activities* presents the changes in net assets and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government, and includes all current year revenues and expenses.

The statement of net assets and the statement of activities segregate the activities of the state into three types:

#### Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and protection of persons and property. Most of the costs of these activities are financed by taxes, fees, and federal grants.

#### Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance Fund, the State Colleges and Universities, and the Lottery are examples of business-type activities.

#### Discretely Presented Component Units

Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's ten component units are reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three discretely presented major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's seven nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- ClearWay Minnesota
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

### **State Fund and Component Unit Financial Statements**

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements present financial information in a format familiar to experienced users of governmental financial statements and reports. The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

#### **Governmental Funds**

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year, and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assists in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 28 individual governmental funds. Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balances* for the General and Federal funds, which are reported as major funds. Information from the remaining 26 funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

### Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary funds, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 17 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net assets and in the proprietary funds *statement of revenues, expenses, and changes in net assets*. Information from the 8 nonmajor enterprise funds and the 7 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

### Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must assure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 19 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which accounts for the transactions, assets, liabilities, and fund equity of the external investment pool), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

### Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the component units in a single column on the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The component units *statements of net assets* and the component units *statement of changes in net assets* provide detail for each major component unit and aggregate the detail for nonmajor component units. Individual nonmajor component unit detail can be found in the combining financial statements included in this report.

## Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following component unit financial statements.

### Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension funding progress, and public employees insurance program development information.

### Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

## Financial Highlights

### Government-wide

- The assets of the state exceeded liabilities at June 30, 2007, by \$12.9 billion (presented as *net assets*). Of this amount, \$1.3 billion was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution.
- The state's total net assets increased by \$1.5 billion (13.1 percent) during fiscal year 2007. Net assets of governmental activities increased by \$1.2 billion (12.5 percent), while net assets of the business-type activities showed an increase of \$290 million (16.3 percent).

### Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$5.4 billion, an increase of \$859 million compared to the prior year. This amount includes an unreserved fund balance of \$3.2 billion.

### Long-Term Debt

- The state's total long-term debt obligations increased by \$536 million (9.7 percent) during the current fiscal year. The increase is primarily due to the issuance of general obligation bonds for trunk highway projects and other various state purposes and revenue bonds for grants to school districts in the taconite assistance area, a public safety radio communication system, and the Minnesota State Colleges and Universities.

## Government-wide Financial Analysis

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. The state's combined net assets (governmental and business-type activities) totaled \$12.9 billion at the end of 2007, compared to \$11.4 billion at the end of the previous year.

| <b>Net Assets</b><br><b>June 30, 2007 and 2006</b><br><b>(In Thousands)</b> |                         |                      |                          |                     |                          |                      |
|---|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|   | Governmental Activities |                      | Business-type Activities |                     | Total Primary Government |                      |
|   | 2007                    | 2006                 | 2007                     | 2006                | 2007                     | 2006                 |
| Current Assets  | \$ 10,341,404           | \$ 8,953,370         | \$ 1,522,925             | \$ 1,233,116        | \$ 11,864,329            | \$ 10,186,486        |
| Noncurrent Assets:  |                         |                      |                          |                     |                          |                      |
| Capital Assets  | 9,799,769               | 9,171,111            | 1,308,504                | 1,186,102           | 11,108,273               | 10,357,213           |
| Other Assets  | 784,933                 | 738,563              | 134,667                  | 89,839              | 919,600                  | 828,402              |
| Total Assets  | <u>\$ 20,926,106</u>    | <u>\$ 18,863,044</u> | <u>\$ 2,966,096</u>      | <u>\$ 2,509,057</u> | <u>\$ 23,892,202</u>     | <u>\$ 21,372,101</u> |
| Current Liabilities   | \$ 5,087,004            | \$ 4,616,173         | \$ 361,293               | \$ 304,511          | \$ 5,448,297             | \$ 4,920,684         |
| Noncurrent Liabilities  | 5,036,122               | 4,646,661            | 531,219                  | 421,395             | 5,567,341                | 5,068,056            |
| Total Liabilities   | <u>\$ 10,123,126</u>    | <u>\$ 9,262,834</u>  | <u>\$ 892,512</u>        | <u>\$ 725,906</u>   | <u>\$ 11,015,638</u>     | <u>\$ 9,988,740</u>  |
| Net Assets:   |                         |                      |                          |                     |                          |                      |
| Invested in Capital Assets,<br>Net of Related Debt                          | \$ 6,781,966            | \$ 6,468,103         | \$ 1,016,955             | \$ 931,297          | \$ 7,798,921             | \$ 7,399,400         |
| Restricted  | 2,703,598               | 2,482,626            | 1,058,032                | 852,943             | 3,761,630                | 3,335,569            |
| Unrestricted  | 1,317,416               | 649,481              | (1,403)                  | (1,089)             | 1,316,013                | 648,392              |
| Total Net Assets  | <u>\$ 10,802,980</u>    | <u>\$ 9,600,210</u>  | <u>\$ 2,073,584</u>      | <u>\$ 1,783,151</u> | <u>\$ 12,876,564</u>     | <u>\$ 11,383,361</u> |

The largest portion, \$7.8 billion of \$12.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$3.8 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used.

The remaining net assets balance of \$1.3 billion represents primarily unrestricted net assets of the governmental activities that may be used to meet the state's ongoing obligations to citizens and creditors. As noted previously, within this balance, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors.



The state's combined net assets for governmental and business-type activities increased \$1.5 billion (13.1 percent) over the course of this fiscal year. This resulted from a \$1.2 billion (12.5 percent) increase in net assets of governmental activities, and a \$290 million (16.3 percent) increase in net assets of business-type activities.

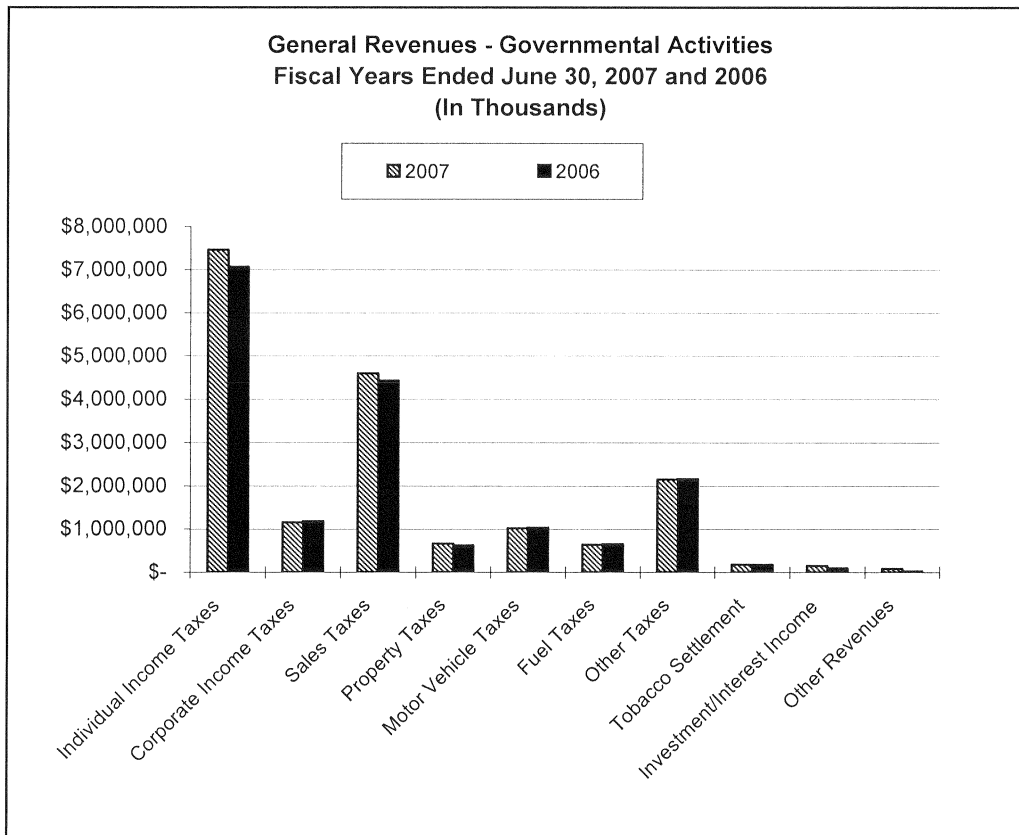
| <b>Changes in Net Assets</b><br><b>Fiscal Years Ended June 30, 2007 and 2006</b><br><b>(In Thousands)</b> |                         |                     |                          |                     |                          |                     |
|---|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
|   | Governmental Activities |                     | Business-type Activities |                     | Total Primary Government |                     |
|   | 2007                    | 2006                | 2007                     | 2006                | 2007                     | 2006                |
| Revenues:   |                         |                     |                          |                     |                          |                     |
| Program Revenues:   |                         |                     |                          |                     |                          |                     |
| Charges for Services  | \$ 1,117,489            | \$ 1,358,286        | \$2,350,238              | \$ 2,376,805        | \$ 3,467,727             | \$ 3,735,091        |
| Operating Grants and Contributions  | 6,500,439               | 5,694,003           | 187,530                  | 176,023             | 6,687,969                | 5,870,026           |
| Capital Grants  | 236,700                 | 452,197             | 1,839                    | 1,963               | 238,539                  | 454,160             |
| General Revenues:   |                         |                     |                          |                     |                          |                     |
| Individual Income Taxes   | 7,463,959               | 7,069,242           | -                        | -                   | 7,463,959                | 7,069,242           |
| Corporate Income Taxes  | 1,160,380               | 1,189,328           | -                        | -                   | 1,160,380                | 1,189,328           |
| Sales Taxes   | 4,600,984               | 4,439,667           | -                        | -                   | 4,600,984                | 4,439,667           |
| Property Taxes  | 667,395                 | 633,288             | -                        | -                   | 667,395                  | 633,288             |
| Motor Vehicle Taxes*  | 1,025,820               | 1,037,593           | -                        | -                   | 1,025,820                | 1,037,593           |
| Fuel Taxes  | 647,168                 | 659,980             | -                        | -                   | 647,168                  | 659,980             |
| Other Taxes*  | 2,154,689               | 2,165,814           | -                        | -                   | 2,154,689                | 2,165,814           |
| Tobacco Settlement  | 184,924                 | 184,139             | -                        | -                   | 184,924                  | 184,139             |
| Investment/Interest Income  | 155,016                 | 101,803             | 26,786                   | 18,300              | 181,802                  | 120,103             |
| Other Revenues  | 91,867                  | 28,447              | 17,811                   | 17,141              | 109,678                  | 45,588              |
| Total Revenues  | <u>\$26,006,830</u>     | <u>\$25,013,787</u> | <u>\$2,584,204</u>       | <u>\$ 2,590,232</u> | <u>\$28,591,034</u>      | <u>\$27,604,019</u> |
| Expenses:   |                         |                     |                          |                     |                          |                     |
| Public Safety and Corrections   | \$ 855,328              | \$ 818,192          | \$ -                     | \$ -                | \$ 855,328               | \$ 818,192          |
| Transportation  | 1,795,056               | 1,791,316           | -                        | -                   | 1,795,056                | 1,791,316           |
| Agricultural and Environmental Resources  | 614,295                 | 525,251             | -                        | -                   | 614,295                  | 525,251             |
| Economic and Workforce Development*   | 595,085                 | 179,966             | -                        | -                   | 595,085                  | 179,966             |
| General Education   | 7,323,406               | 7,336,455           | -                        | -                   | 7,323,406                | 7,336,455           |
| Higher Education  | 921,339                 | 786,563             | -                        | -                   | 921,339                  | 786,563             |
| Health and Human Services*  | 9,717,294               | 8,916,659           | -                        | -                   | 9,717,294                | 8,916,659           |
| General Government  | 771,733                 | 718,996             | -                        | -                   | 771,733                  | 718,996             |
| Intergovernmental Aid   | 1,489,439               | 1,400,479           | -                        | -                   | 1,489,439                | 1,400,479           |
| Interest  | 208,719                 | 172,612             | -                        | -                   | 208,719                  | 172,612             |
| State Colleges and Universities   | -                       | -                   | 1,550,936                | 1,479,519           | 1,550,936                | 1,479,519           |
| Unemployment Insurance  | -                       | -                   | 735,987                  | 690,713             | 735,987                  | 690,713             |
| Lottery   | -                       | -                   | 311,893                  | 332,031             | 311,893                  | 332,031             |
| Other   | -                       | -                   | 215,005                  | 183,043             | 215,005                  | 183,043             |
| Total Expenses  | <u>\$24,291,694</u>     | <u>\$22,646,489</u> | <u>\$2,813,821</u>       | <u>\$ 2,685,306</u> | <u>\$27,105,515</u>      | <u>\$25,331,795</u> |
| Excess (Deficiency) Before Transfers  | \$ 1,715,136            | \$ 2,367,298        | \$ (229,617)             | \$ (95,074)         | \$ 1,485,519             | \$ 2,272,224        |
| Transfers   | (510,578)               | (474,090)           | 510,578                  | 474,090             | -                        | -                   |
| Change in Net Assets  | <u>\$ 1,204,558</u>     | <u>\$ 1,893,208</u> | <u>\$ 280,961</u>        | <u>\$ 379,016</u>   | <u>\$ 1,485,519</u>      | <u>\$ 2,272,224</u> |
| Net Assets, Beginning   | \$ 9,600,210            | \$ 7,722,231        | \$1,783,151              | \$ 1,404,135        | \$11,383,361             | \$ 9,126,366        |
| Prior Period Adjustments  | 7,684                   | (15,229)            | -                        | -                   | 7,684                    | (15,229)            |
| Change in Fund Structure  | (9,472)                 | -                   | 9,472                    | -                   | -                        | -                   |
| Net Assets, Ending  | <u>\$10,802,980</u>     | <u>\$ 9,600,210</u> | <u>\$2,073,584</u>       | <u>\$ 1,783,151</u> | <u>\$12,876,564</u>      | <u>\$11,383,361</u> |
| * 2006 has been restated for reclassifications to be consistent with 2007 presentation.                   |                         |                     |                          |                     |                          |                     |

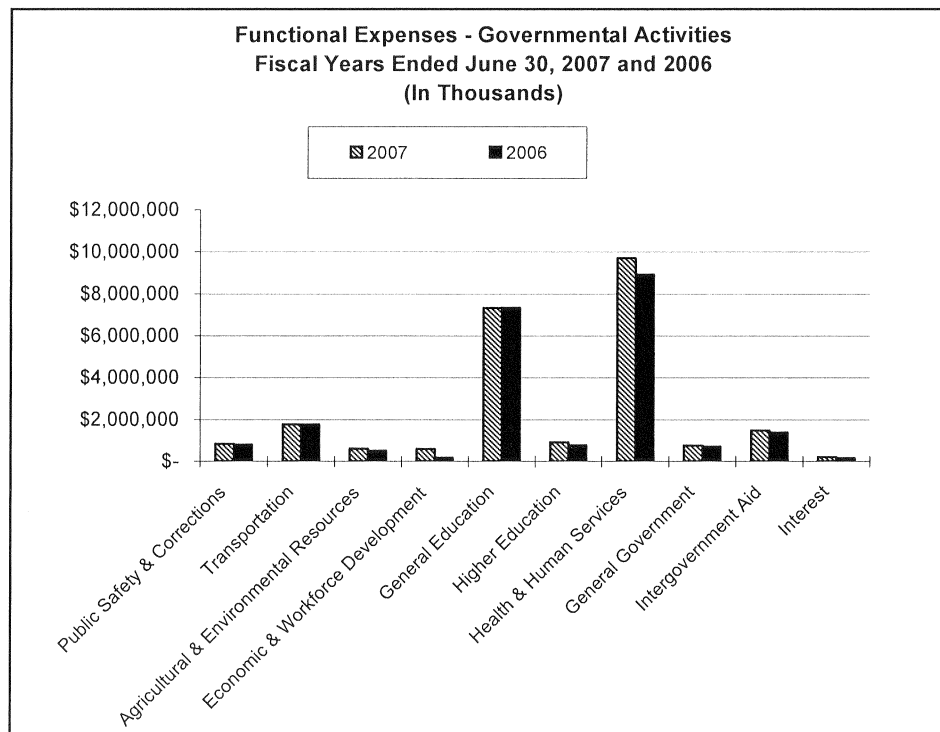
Approximately 62 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 24 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 2 percent came from other general revenues.

The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

### Governmental Activities

Governmental activities increased the state's net assets by \$1.2 billion. The increase in revenues was primarily attributable to the growth in the economy. The increase in operating grants and contributions was primarily attributable to the federal governments share of the increase in medical assistance expenditures.

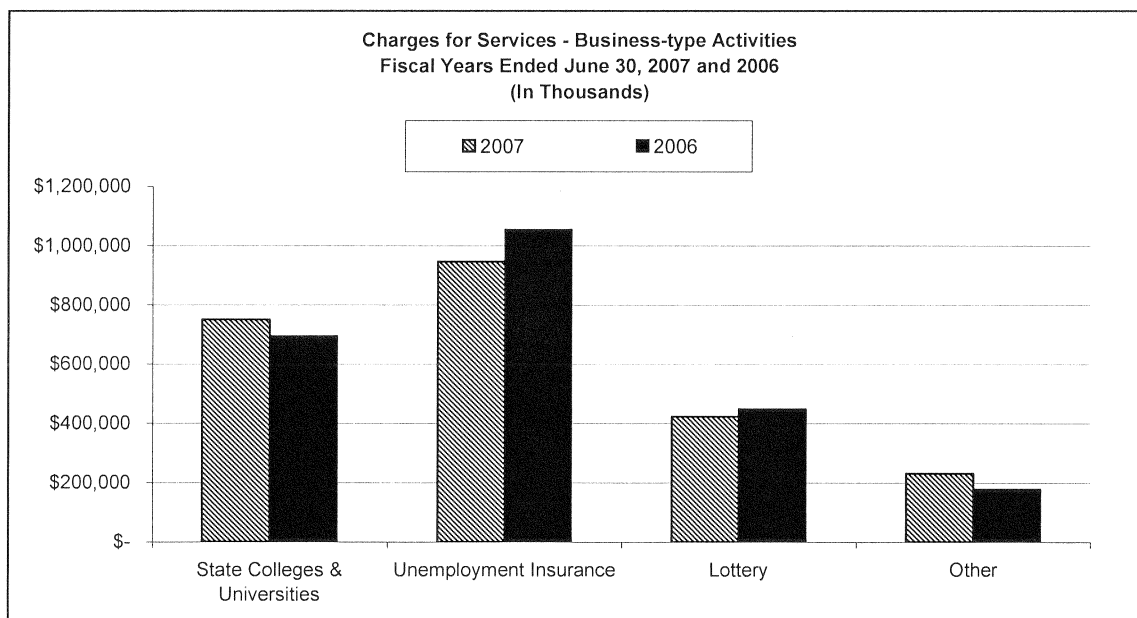




The increase in revenues was partially offset by an increase in Health and Human Services and Higher Education expenditures, and Intergovernmental Aid. Health and Human Services expenditures increased primarily due to an increase in the number of eligible participants for medical assistance and increased average health care costs. As stated above, this increase was partially offset by the increase in the federal governments share of these expenditures. Higher Education expenditures increased primarily due to grants to the University of Minnesota (component unit) for increases in capital projects, while the increase in Intergovernmental Aid is due to an increase in property tax credits and increased aid to local governments. The increase in Economic and Workforce Development primarily resulted from a one-time decrease in the prior year due to discounting the liability related to the supplementary and second injury workers' compensations injuries to present value.

### Business-type Activities

The state's proprietary funds net assets increased by \$290 million during the current year. This primarily resulted from a \$175 million increase in net assets in the Unemployment Insurance Fund, which compared to a \$301 million increase in the prior year. A one-time assessment of 14% caused the premiums to increase in the prior year. The remaining increase of \$115 million resulted primarily from an increase in General Fund transfers to the State Colleges and Universities Fund as a result of funding additional construction activity.



## **State Funds Financial Analysis**

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year, and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financing requirements. Unreserved fund balance may serve as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$5.4 billion, an increase of \$859 million in comparison with the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1.1 billion, an increase of \$514 million in comparison with the prior year. This improvement primarily resulted from an increase in income tax receipts due to a growth in the economy. The increase in revenues was also partially offset by increases in Health and Human Services and Higher Education expenditures, and Intergovernmental Aid. The increase in Health and Human Services expenditures resulting from the increase in medical assistance expenditures was partially offset by an increase in operating grants and contributions for the federal governments share of these expenditures. An increase in capital expenditures for the University of Minnesota (component unit) caused an increase in capital grants for the state's share of these expenditures. The increase in Intergovernmental Aid results from an increase in property tax credits and increased aid to local governments.

### **Proprietary Funds**

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The state's proprietary funds net assets increased by \$290 million during the current year. This primarily resulted from a \$175 million increase in net assets in the Unemployment Insurance Fund and an increase of \$126 million in net assets of the State Colleges and Universities Fund.

## **General Fund Budgetary Highlights**

Based on the November 2006 forecast, the state's financial outlook has improved since enactment of the fiscal year 2007 budget during the 2005 legislative session. This improvement was primarily caused by a projected increase in revenues from income and corporate taxes. Based on the November 2006 and February 2007 forecasts, expenditures remained consistent with the originally enacted 2007 budget.

There were no net over-expenditures or line-item over-expenditures by the General Fund departments during the current fiscal year.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The state's investment in capital assets for governmental and business-type activities as of June 30, 2007, was \$13.2 billion, less accumulated depreciation of \$2.1 billion, resulting in a net book value of \$11.1 billion. This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

| <b>Capital Assets</b><br><b>June 30, 2007 and 2006</b><br><b>(In Thousands)</b> |                         |              |                          |              |                          |               |
|---|-------------------------|--------------|--------------------------|--------------|--------------------------|---------------|
|   | Governmental Activities |              | Business-type Activities |              | Total Primary Government |               |
|   | 2007                    | 2006         | 2007                     | 2006         | 2007                     | 2006          |
| Capital Assets not Depreciated:   |                         |              |                          |              |                          |               |
| Land  | \$ 1,807,456            | \$ 1,680,456 | \$ 79,488                | \$ 76,365    | \$ 1,886,944             | \$ 1,756,821  |
| Buildings, Structures, Improvements   | 28,975                  | 27,328       | -                        | -            | 28,975                   | 27,328        |
| Construction in Progress  | 183,997                 | 108,217      | 132,191                  | 104,354      | 316,188                  | 212,571       |
| Infrastructure  | 6,351,250               | 5,965,253    | -                        | -            | 6,351,250                | 5,965,253     |
| Art and Historical Treasures  | 500                     | 500          | -                        | -            | 500                      | 500           |
| Total Capital Assets not Depreciated  | \$ 8,372,178            | \$ 7,781,754 | \$ 211,679               | \$ 180,719   | \$ 8,583,857             | \$ 7,962,473  |
| Capital Assets Depreciated:   |                         |              |                          |              |                          |               |
| Buildings, Structures, Improvements   | \$ 1,925,399            | \$ 1,871,213 | \$ 1,918,343             | \$ 1,779,350 | \$ 3,843,742             | \$ 3,650,563  |
| Infrastructure  | 65,505                  | 49,250       | -                        | -            | 65,505                   | 49,250        |
| Library Collections   | -                       | -            | 48,264                   | 48,505       | 48,264                   | 48,505        |
| Equipment, Furniture, Fixtures  | 390,001                 | 388,834      | 282,764                  | 275,915      | 672,765                  | 664,749       |
| Total Capital Assets Depreciated  | \$ 2,380,905            | \$ 2,309,297 | \$ 2,249,371             | \$ 2,103,770 | \$ 4,630,276             | \$ 4,413,067  |
| Less: Accumulated Depreciation  | 953,314                 | 919,940      | 1,152,546                | 1,098,387    | 2,105,860                | 2,018,327     |
| Capital Assets Net of Depreciation  | \$ 1,427,591            | \$ 1,389,357 | \$ 1,096,825             | \$ 1,005,383 | \$ 2,524,416             | \$ 2,394,740  |
| Total   | \$ 9,799,769            | \$ 9,171,111 | \$ 1,308,504             | \$ 1,186,102 | \$ 11,108,273            | \$ 10,357,213 |

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 2,900 bridges that are maintained by the Minnesota Department of Transportation.

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2006, indicated that the average PQI for principal arterial pavement was 3.4 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past five years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2006, indicated that 97 percent of principal arterial system bridges and 95 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

Actual spending on pavement was significantly below the original budgeted amount for 2007 primarily as a result of the delay in the reconstruction of the I-35W and Highway 62 interchange.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets and in the required supplementary information, respectively. Additional information on the collapse of the I-35W bridge over the Mississippi River is included in Note 22 – Subsequent Events.

## Debt Administration

The authority of the state to incur debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds are rated as follows:

- Aa1 by Moody's Investors Service
- AAA by Standard & Poors
- AAA by Fitch Ratings

The state also issues revenue bonds, which are payable solely from rentals, revenues, and other income, charges and monies that were pledged for repayment.

| <b>Outstanding Bonded Debt</b><br><b>June 30, 2007 and 2006</b><br><b>(In Thousands)</b> |                         |                     |                          |                   |                          |                     |
|--|-------------------------|---------------------|--------------------------|-------------------|--------------------------|---------------------|
|  | Governmental Activities |                     | Business-type Activities |                   | Total Primary Government |                     |
|  | 2007                    | 2006                | 2007                     | 2006              | 2007                     | 2006                |
| General Obligation   | \$ 3,791,494            | \$ 3,414,239        | \$ 188,096               | \$ 156,896        | \$ 3,979,590             | \$ 3,571,135        |
| Revenue  | 15,145                  | -                   | 170,941                  | 95,780            | 186,086                  | 95,780              |
| Total  | <u>\$ 3,806,639</u>     | <u>\$ 3,414,239</u> | <u>\$ 359,037</u>        | <u>\$ 252,676</u> | <u>\$ 4,165,676</u>      | <u>\$ 3,666,915</u> |

During fiscal year 2007, the state issued the following bonds:

- \$616.5 million in general obligation state various purpose bonds
- \$128.6 million in general obligation state trunk highway bonds
- \$3.5 million in general obligation Rural Finance Authority bonds
- \$43.1 million in revenue bonds for Minnesota State Colleges and Universities
- \$35.0 million in revenue bonds for a public safety radio communication system
- \$15.1 million in revenue bonds for grants to school districts in the taconite assistance area

In addition to the general obligation bonds noted above, the state issued \$264.1 million of refunding bonds in April 2007.

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Obligations in the notes to the financial statements.

## Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Questions about this report or requests for additional financial information should be addressed to the Minnesota Department of Finance, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.



State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Basic Financial Statements

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State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Government-wide Financial Statements

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# STATE OF MINNESOTA

## STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

|   | PRIMARY GOVERNMENT         |                             |               |                    |  |
|---|----------------------------|-----------------------------|---------------|--------------------|--|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL         | COMPONENT<br>UNITS |  |
| ASSETS                                    |                            |                             |               |                    |  |
| Current Assets:                           |                            |                             |               |                    |  |
| Cash and Cash Equivalents.....            | \$ 5,370,634               | \$ 1,018,291                | \$ 6,388,925  | \$ 809,054         |  |
| Investments.....                          | 1,310,553                  | 28,891                      | 1,339,444     | 1,061,042          |  |
| Accounts Receivable.....                  | 1,985,938                  | 436,980                     | 2,422,918     | 353,813            |  |
| Due from Component Units .....            | 19,052                     | -                           | 19,052        | -                  |  |
| Due from Primary Government .....         | -                          | -                           | -             | 155,659            |  |
| Accrued Investment/Interest Income.....   | 71,477                     | 17                          | 71,494        | 47,779             |  |
| Federal Aid Receivable.....               | 772,669                    | 12,997                      | 785,666       | 1,833              |  |
| Inventories.....                          | 22,514                     | 17,860                      | 40,374        | 37,233             |  |
| Loans and Notes Receivable.....           | 57,973                     | 8,482                       | 66,455        | 98,028             |  |
| Internal Balances.....                    | 36,396                     | (36,396)                    | -             | -                  |  |
| Securities Lending Collateral.....        | 692,436                    | 33,145                      | 725,581       | 221,172            |  |
| Other Assets.....                         | 1,762                      | 2,658                       | 4,420         | 73,819             |  |
| Total Current Assets.....                 | \$ 10,341,404              | \$ 1,522,925                | \$ 11,864,329 | \$ 2,859,432       |  |
| Noncurrent Assets:                        |                            |                             |               |                    |  |
| Cash and Cash Equivalents-Restricted..... | \$ -                       | \$ 109,188                  | \$ 109,188    | \$ 779,749         |  |
| Investments-Restricted.....               | -                          | -                           | -             | 458,808            |  |
| Accounts Receivable-Restricted .....      | -                          | -                           | -             | 26,177             |  |
| Due from Primary Government.....          | -                          | -                           | -             | 27,998             |  |
| Other Assets-Restricted.....              | -                          | 95                          | 95            | 16,906             |  |
| Due from Component Units.....             | 101,020                    | -                           | 101,020       | -                  |  |
| Investments.....                          | -                          | -                           | -             | 3,492,851          |  |
| Accounts Receivable.....                  | 364,629                    | -                           | 364,629       | 438,676            |  |
| Loans and Notes Receivable.....           | 268,219                    | 25,384                      | 293,603       | 4,227,814          |  |
| Depreciable Capital Assets (Net).....     | 1,427,591                  | 1,096,825                   | 2,524,416     | 3,891,250          |  |
| Nondepreciable Capital Assets .....       | 2,020,928                  | 211,679                     | 2,232,607     | 550,959            |  |
| Infrastructure (Not depreciated).....     | 6,351,250                  | -                           | 6,351,250     | -                  |  |
| Other Assets.....                         | 51,065                     | -                           | 51,065        | 11,141             |  |
| Total Noncurrent Assets.....              | \$ 10,584,702              | \$ 1,443,171                | \$ 12,027,873 | \$ 13,922,329      |  |
| Total Assets.....                         | \$ 20,926,106              | \$ 2,966,096                | \$ 23,892,202 | \$ 16,781,761      |  |
| LIABILITIES                               |                            |                             |               |                    |  |
| Current Liabilities:                      |                            |                             |               |                    |  |
| Accounts Payable.....                     | \$ 3,178,115               | \$ 218,117                  | \$ 3,396,232  | \$ 292,618         |  |
| Due to Component Units.....               | 106,031                    | -                           | 106,031       | -                  |  |
| Due to Primary Government .....           | -                          | -                           | -             | 24,536             |  |
| Unearned Revenue.....                     | 517,726                    | 48,402                      | 566,128       | 153,407            |  |
| Accrued Interest Payable.....             | 70,189                     | 317                         | 70,506        | 73,037             |  |
| General Obligation Bonds Payable.....     | 359,137                    | 13,373                      | 372,510       | 200,721            |  |
| Bond Premium Payable.....                 | 18,139                     | -                           | 18,139        | -                  |  |
| Loans and Notes Payable.....              | 4,854                      | 995                         | 5,849         | 205,758            |  |
| Revenue Bonds Payable.....                | 645                        | 5,375                       | 6,020         | 576,884            |  |
| Claims Payable.....                       | 92,094                     | -                           | 92,094        | 104,634            |  |
| Compensated Absences Payable.....         | 27,655                     | 16,305                      | 43,960        | 153,055            |  |
| Workers' Compensation Liability.....      | 14,090                     | 1,756                       | 15,846        | -                  |  |
| Capital Leases Payable.....               | 5,893                      | 2,726                       | 8,619         | -                  |  |
| Securities Lending Liabilities.....       | 692,436                    | 33,145                      | 725,581       | 221,172            |  |
| Other Liabilities.....                    | -                          | 20,782                      | 20,782        | 12,972             |  |
| Total Current Liabilities.....            | \$ 5,087,004               | \$ 361,293                  | \$ 5,448,297  | \$ 2,018,794       |  |
| Noncurrent Liabilities:                   |                            |                             |               |                    |  |
| Accounts Payable-Restricted.....          | \$ -                       | \$ -                        | \$ -          | \$ 94,600          |  |
| Unearned Revenue-Restricted.....          | -                          | -                           | -             | 75,838             |  |
| Accrued Interest Payable-Restricted.....  | -                          | -                           | -             | 8,650              |  |
| Due to Primary Government .....           | -                          | -                           | -             | 101,020            |  |
| Unearned Revenue.....                     | -                          | -                           | -             | 4,134              |  |
| General Obligation Bonds Payable.....     | 3,432,357                  | 174,723                     | 3,607,080     | 1,209,505          |  |
| Bond Premium Payable.....                 | 227,070                    | 11,594                      | 238,664       | -                  |  |
| Loans and Notes Payable.....              | 55,640                     | 4,424                       | 60,064        | 7,152              |  |
| Revenue Bonds Payable.....                | 14,500                     | 165,566                     | 180,066       | 3,475,865          |  |
| Claims Payable .....                      | 776,154                    | -                           | 776,154       | 619,894            |  |
| Compensated Absences Payable.....         | 227,282                    | 113,099                     | 340,381       | 19,961             |  |
| Workers' Compensation Liability.....      | 93,818                     | 4,099                       | 97,917        | -                  |  |
| Capital Leases Payable.....               | 166,839                    | 22,656                      | 189,495       | -                  |  |
| Funds Held in Trust.....                  | -                          | -                           | -             | 89,789             |  |
| Due to Component Units.....               | 22,594                     | -                           | 22,594        | -                  |  |
| Other Liabilities.....                    | 19,868                     | 35,058                      | 54,926        | 110,369            |  |
| Total Noncurrent Liabilities.....         | \$ 5,036,122               | \$ 531,219                  | \$ 5,567,341  | \$ 5,816,777       |  |
| Total Liabilities.....                    | \$ 10,123,126              | \$ 892,512                  | \$ 11,015,638 | \$ 7,835,571       |  |

CONTINUED

# STATE OF MINNESOTA

## STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2007

(IN THOUSANDS)

|   | PRIMARY GOVERNMENT         |                             |               | COMPONENT<br>UNITS |
|---|----------------------------|-----------------------------|---------------|--------------------|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL         |                    |
| NET ASSETS  |                            |                             |               |                    |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 6,781,966               | \$ 1,016,955                | \$ 7,798,921  | \$ 2,902,616       |
| Restricted for:   |                            |                             |               |                    |
| Debt Service.....                                       | \$ 471,990                 | \$ -                        | \$ 471,990    | \$ -               |
| Transportation.....                                     | 718,965                    | -                           | 718,965       | -                  |
| Environmental Resources.....                            | 639,112                    | -                           | 639,112       | -                  |
| Economic and Workforce Development.....                 | 62,783                     | 4,830                       | 67,613        | -                  |
| School Aid-Nonexpendable .....                          | 721,173                    | -                           | 721,173       | -                  |
| School Aid-Expendable.....                              | 89,575                     | -                           | 89,575        | -                  |
| Health & Human Services.....                            | -                          | 27,942                      | 27,942        | -                  |
| Unemployment Benefits.....                              | -                          | 693,189                     | 693,189       | -                  |
| State Colleges and Universities.....                    | -                          | 318,397                     | 318,397       | -                  |
| Other Purposes.....                                     | -                          | 13,674                      | 13,674        | -                  |
| Component Units.....                                    | -                          | -                           | -             | 5,304,776          |
| Total Restricted.....                                   | \$ 2,703,598               | \$ 1,058,032                | \$ 3,761,630  | \$ 5,304,776       |
| Unrestricted .....                                      | \$ 1,317,416               | \$ (1,403)                  | \$ 1,316,013  | \$ 738,798         |
| Total Net Assets.....                                   | \$ 10,802,980              | \$ 2,073,584                | \$ 12,876,564 | \$ 8,946,190       |

The notes are an integral part of the financial statements.

# STATE OF MINNESOTA

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

| FUNCTIONS/PROGRAMS                            | EXPENSES             | PROGRAM REVENUES           |  |  |
|---|----------------------|----------------------------|--|--|
|   |                      | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS |
| Primary Government:                           |                      |                            |  |  |
| Governmental Activities:                      |                      |                            |  |  |
| Public Safety and Corrections.....            | \$ 855,328           | \$ 130,830                 | \$ 141,046                               | \$ -                                   |
| Transportation.....                           | 1,795,056            | 18,796                     | 497,689                                  | 216,988                                |
| Agricultural and Environmental Resources..... | 614,295              | 217,702                    | 72,601                                   | 2,112                                  |
| Economic and Workforce Development.....       | 595,085              | 162,519                    | 214,022                                  | -                                      |
| General Education.....                        | 7,323,406            | 42,943                     | 719,133                                  | -                                      |
| Higher Education.....                         | 921,339              | -                          | -  | -                                      |
| Health and Human Services.....                | 9,717,294            | 265,853                    | 4,730,232                                | -                                      |
| General Government.....                       | 771,733              | 278,846                    | 125,716                                  | 17,600                                 |
| Intergovernment Aid.....                      | 1,489,439            | -                          | -  | -                                      |
| Interest .....                                | 208,719              | -                          | -  | -                                      |
| Total Governmental Activities.....            | <u>\$ 24,291,694</u> | <u>\$ 1,117,489</u>        | <u>\$ 6,500,439</u>                      | <u>\$ 236,700</u>                      |
| Business-type Activities:                     |                      |                            |  |  |
| State Colleges and Universities .....         | \$ 1,550,936         | \$ 750,742                 | \$ 183,141                               | \$ 1,839                               |
| Unemployment Insurance.....                   | 735,987              | 946,269                    | 4,389                                    | -                                      |
| Lottery.....                                  | 311,893              | 422,570                    | -  | -                                      |
| Other.....                                    | 215,005              | 230,657                    | -  | -                                      |
| Total Business-type Activities.....           | <u>\$ 2,813,821</u>  | <u>\$ 2,350,238</u>        | <u>\$ 187,530</u>                        | <u>\$ 1,839</u>                        |
| Total Primary Government.....                 | <u>\$ 27,105,515</u> | <u>\$ 3,467,727</u>        | <u>\$ 6,687,969</u>                      | <u>\$ 238,539</u>                      |
| Component Units:                              |                      |                            |  |  |
| University of Minnesota.....                  | \$ 2,403,139         | \$ 1,109,730               | \$ 807,209                               | \$ 226,658                             |
| Metropolitan Council.....                     | 712,332              | 322,011                    | 170,044                                  | 74,442                                 |
| Housing Finance.....                          | 359,001              | 176,452                    | 174,541                                  | -                                      |
| Others.....                                   | 428,938              | 186,793                    | 52,115                                   | -                                      |
| Total Component Units.....                    | <u>\$ 3,903,410</u>  | <u>\$ 1,794,986</u>        | <u>\$ 1,203,909</u>                      | <u>\$ 301,100</u>                      |
| General Revenues:                             |                      |                            |  |  |
| Taxes:  |                      |                            |  |  |
| Individual Income Taxes.....                  |                      |                            |  |  |
| Corporate Income Taxes.....                   |                      |                            |  |  |
| Sales Taxes.....                              |                      |                            |  |  |
| Property Taxes.....                           |                      |                            |  |  |
| Motor Vehicle Taxes.....                      |                      |                            |  |  |
| Fuel Taxes.....                               |                      |                            |  |  |
| Other Taxes.....                              |                      |                            |  |  |
| Tobacco Settlement.....                       |                      |                            |  |  |
| Unallocated Investment/Interest Income.....   |                      |                            |  |  |
| Other Revenues.....                           |                      |                            |  |  |
| State Grants Not Restricted.....              |                      |                            |  |  |
| Transfers.....                                |                      |                            |  |  |
| Total General Revenues and Transfers.....     |                      |                            |  |  |
| Change in Net Assets.....                     |                      |                            |  |  |
| Net Assets, Beginning, as Reported .....      |                      |                            |  |  |
| Prior Period Adjustments.....                 |                      |                            |  |  |
| Change in Fund Structure.....                 |                      |                            |  |  |
| Net Assets, Beginning, as Restated.....       |                      |                            |  |  |
| Net Assets, Ending.....                       |                      |                            |  |  |

The notes are an integral part of the financial statements.

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NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

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PRIMARY GOVERNMENT

| GOVERNMENTAL<br>ACTIVITIES | BUSINESS-<br>TYPE<br>ACTIVITIES | TOTAL                  | COMPONENT<br>UNITS  |
|----------------------------|---------------------------------|------------------------|---------------------|
| \$ (583,452)               |                                 | \$ (583,452)           |                     |
| (1,061,583)                |                                 | (1,061,583)            |                     |
| (321,880)                  |                                 | (321,880)              |                     |
| (218,544)                  |                                 | (218,544)              |                     |
| (6,561,330)                |                                 | (6,561,330)            |                     |
| (921,339)                  |                                 | (921,339)              |                     |
| (4,721,209)                |                                 | (4,721,209)            |                     |
| (349,571)                  |                                 | (349,571)              |                     |
| (1,489,439)                |                                 | (1,489,439)            |                     |
| (208,719)                  |                                 | (208,719)              |                     |
| <u>\$ (16,437,066)</u>     |                                 | <u>\$ (16,437,066)</u> |                     |
|                            | \$ (615,214)                    | \$ (615,214)           |                     |
|                            | 214,671                         | 214,671                |                     |
|                            | 110,677                         | 110,677                |                     |
|                            | 15,652                          | 15,652                 |                     |
|                            | <u>\$ (274,214)</u>             | <u>\$ (274,214)</u>    |                     |
| <u>\$ (16,437,066)</u>     | <u>\$ (274,214)</u>             | <u>\$ (16,711,280)</u> |                     |
|                            |                                 |                        | \$ (259,542)        |
|                            |                                 |                        | (145,835)           |
|                            |                                 |                        | (8,008)             |
|                            |                                 |                        | <u>(190,030)</u>    |
|                            |                                 |                        | <u>\$ (603,415)</u> |
| \$ 7,463,959               | \$ -                            | \$ 7,463,959           | \$ -                |
| 1,160,380                  | -                               | 1,160,380              | -                   |
| 4,600,984                  | -                               | 4,600,984              | -                   |
| 667,395                    | -                               | 667,395                | -                   |
| 1,025,820                  | -                               | 1,025,820              | -                   |
| 647,168                    | -                               | 647,168                | -                   |
| 2,154,689                  | -                               | 2,154,689              | 185,157             |
| 184,924                    | -                               | 184,924                | -                   |
| 155,016                    | 26,786                          | 181,802                | 187,403             |
| 91,867                     | 17,811                          | 109,678                | 149,684             |
| -                          | -                               | -                      | 902,061             |
| (510,578)                  | 510,578                         | -                      | -                   |
| <u>\$ 17,641,624</u>       | <u>\$ 555,175</u>               | <u>\$ 18,196,799</u>   | <u>\$ 1,424,305</u> |
| <u>\$ 1,204,558</u>        | <u>\$ 280,961</u>               | <u>\$ 1,485,519</u>    | <u>\$ 820,890</u>   |
| \$ 9,600,210               | \$ 1,783,151                    | \$ 11,383,361          | \$ 8,125,300        |
| 7,684                      | -                               | 7,684                  | -                   |
| (9,472)                    | 9,472                           | -                      | -                   |
| <u>\$ 9,598,422</u>        | <u>\$ 1,792,623</u>             | <u>\$ 11,391,045</u>   | <u>\$ 8,125,300</u> |
| <u>\$ 10,802,980</u>       | <u>\$ 2,073,584</u>             | <u>\$ 12,876,564</u>   | <u>\$ 8,946,190</u> |





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Fund Financial Statements

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State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Major Governmental Funds

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## **General Fund**

The fund accounts for all financial resources except those required to be accounted for in another fund.

## **Federal Fund**

The fund receives and disburses federal government grants and reimbursements. The fund is administered in accordance with grant agreements between the state and federal agencies.

# STATE OF MINNESOTA

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2007 (IN THOUSANDS)

|  | GENERAL             | FEDERAL           | NONMAJOR FUNDS      | TOTAL                |
|--|---------------------|-------------------|---------------------|----------------------|
| <b>ASSETS</b>                            |                     |                   |                     |                      |
| Cash and Cash Equivalents.....           | \$ 2,618,415        | \$ 7,498          | \$ 2,529,377        | \$ 5,155,290         |
| Investments.....                         | 23,926              | -                 | 1,266,566           | 1,290,492            |
| Accounts Receivable.....                 | 1,839,119           | 142,435           | 363,914             | 2,345,468            |
| Interfund Receivables.....               | 59,618              | 3,353             | 187,515             | 250,486              |
| Due from Component Units.....            | 32                  | -                 | 120,040             | 120,072              |
| Accrued Investment/Interest Income.....  | 60,358              | -                 | 10,778              | 71,136               |
| Federal Aid Receivable.....              | -                   | 702,342           | 70,327              | 772,669              |
| Inventories.....                         | -                   | -                 | 21,568              | 21,568               |
| Loans and Notes Receivable.....          | 45,481              | 40                | 280,671             | 326,192              |
| Advances to Other Funds.....             | 1,750               | -                 | -                   | 1,750                |
| Securities Lending Collateral.....       | 249,619             | -                 | 423,760             | 673,379              |
| Investment in Land.....                  | -                   | -                 | 15,478              | 15,478               |
| Total Assets .....                       | <u>\$ 4,898,318</u> | <u>\$ 855,668</u> | <u>\$ 5,289,994</u> | <u>\$ 11,043,980</u> |
| <b>LIABILITIES AND FUND BALANCES</b>     |                     |                   |                     |                      |
| <b>Liabilities:</b>                      |                     |                   |                     |                      |
| Accounts Payable.....                    | \$ 1,919,746        | \$ 806,129        | \$ 391,286          | \$ 3,117,161         |
| Interfund Payables.....                  | 26,953              | 12,183            | 174,821             | 213,957              |
| Due to Component Units.....              | 100,440             | 752               | 1,463               | 102,655              |
| Deferred Revenue.....                    | 1,302,853           | 29,276            | 176,523             | 1,508,652            |
| Accrued Interest Payable.....            | 18,600              | -                 | -                   | 18,600               |
| Securities Lending Liabilities.....      | 249,619             | -                 | 423,760             | 673,379              |
| Total Liabilities.....                   | <u>\$ 3,618,211</u> | <u>\$ 848,340</u> | <u>\$ 1,167,853</u> | <u>\$ 5,634,404</u>  |
| <b>Fund Balances:</b>                    |                     |                   |                     |                      |
| <b>Reserved Fund Balances:</b>           |                     |                   |                     |                      |
| Reserved for Encumbrances.....           | \$ 108,754          | \$ -              | \$ 219,348          | \$ 328,102           |
| Reserved for Trust Principal.....        | -                   | -                 | 1,191,878           | 1,191,878            |
| Other Reserved Fund Balances.....        | 47,231              | 7,328             | 602,056             | 656,615              |
| Total Reserved Fund Balances.....        | <u>\$ 155,985</u>   | <u>\$ 7,328</u>   | <u>\$ 2,013,282</u> | <u>\$ 2,176,595</u>  |
| <b>Unreserved Fund Balances:</b>         |                     |                   |                     |                      |
| <b>Designated for:</b>                   |                     |                   |                     |                      |
| General Fund.....                        | \$ 1,124,122        | \$ -              | \$ -                | \$ 1,124,122         |
| Special Revenue Funds .....              | -                   | -                 | 1,139,133           | 1,139,133            |
| Debt Service Fund .....                  | -                   | -                 | 704,800             | 704,800              |
| Permanent Funds .....                    | -                   | -                 | 15,690              | 15,690               |
| <b>Undesignated, reported in:</b>        |                     |                   |                     |                      |
| Capital Project Funds.....               | -                   | -                 | 6,044               | 6,044                |
| Special Revenue Funds.....               | -                   | -                 | 243,192             | 243,192              |
| Total Unreserved Fund Balance.....       | <u>\$ 1,124,122</u> | <u>\$ -</u>       | <u>\$ 2,108,859</u> | <u>\$ 3,232,981</u>  |
| Total Fund Balances.....                 | <u>\$ 1,280,107</u> | <u>\$ 7,328</u>   | <u>\$ 4,122,141</u> | <u>\$ 5,409,576</u>  |
| Total Liabilities and Fund Balances..... | <u>\$ 4,898,318</u> | <u>\$ 855,668</u> | <u>\$ 5,289,994</u> | <u>\$ 11,043,980</u> |

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007  
(IN THOUSANDS)

Total Fund Balance for Governmental Funds.....\$ 5,409,576

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

|                                    |              |           |
|------------------------------------|--------------|-----------|
| Infrastructure.....                | \$ 6,351,250 |           |
| Depreciable Capital Assets.....    | 2,297,197    |           |
| Nondepreciable Capital Assets..... | 2,005,450    |           |
| Accumulated Depreciation.....      | (897,325)    |           |
| Total Capital Assets.....          |              | 9,756,572 |

|   |         |
|---|---------|
| Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end..... | 995,456 |
|---|---------|

|   |        |
|---|--------|
| The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds..... | 50,610 |
|---|--------|

|   |         |
|---|---------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets..... | 181,144 |
|---|---------|

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

|  |                |             |
|--|----------------|-------------|
| General Obligation Bonds Payable.....  | \$ (3,791,494) |             |
| Bond Premium Payable.....              | (245,209)      |             |
| Revenue Bonds Payable.....             | (15,145)       |             |
| Accrued Interest Payable on Bonds..... | (51,589)       |             |
| Loans and Notes Payable.....           | (42,618)       |             |
| Claims Payable.....                    | (868,248)      |             |
| Workers' Compensation Liability.....   | (107,908)      |             |
| Capital Leases Payable.....            | (172,732)      |             |
| Compensated Absences Payable.....      | (249,597)      |             |
| Net Pension Obligation.....            | (19,868)       |             |
| Due to Component Units.....            | (25,970)       |             |
| Total Liabilities.....                 |                | (5,590,378) |

|  |               |
|--|---------------|
| Net Assets of Governmental Activities..... | \$ 10,802,980 |
|--|---------------|

# STATE OF MINNESOTA

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | GENERAL       | FEDERAL      | NONMAJOR FUNDS | TOTAL         |
|---|---------------|--------------|----------------|---------------|
| Net Revenues:                                     |               |              |                |               |
| Individual Income Taxes.....                      | \$ 7,412,381  | \$ -         | \$ -           | \$ 7,412,381  |
| Corporate Income Taxes.....                       | 1,163,095     | -            | -              | 1,163,095     |
| Sales Taxes.....                                  | 4,512,957     | -            | 495            | 4,513,452     |
| Property Taxes.....                               | 665,746       | -            | -              | 665,746       |
| Motor Vehicle Taxes.....                          | 368,279       | -            | 657,541        | 1,025,820     |
| Fuel Taxes .....                                  | -             | -            | 648,078        | 648,078       |
| Other Taxes.....                                  | 1,232,758     | -            | 676,965        | 1,909,723     |
| Tobacco Settlement.....                           | 183,911       | -            | -              | 183,911       |
| Federal Revenues.....                             | 7,328         | 5,839,254    | 487,104        | 6,333,686     |
| Licenses and Fees.....                            | 254,026       | -            | 482,724        | 736,750       |
| Departmental Services.....                        | 44,170        | 13,561       | 186,418        | 244,149       |
| Investment/Interest Income.....                   | 108,689       | 940          | 280,497        | 390,126       |
| Securities Lending Income.....                    | 10,063        | -            | 20,492         | 30,555        |
| Other Revenues.....                               | 284,756       | 32,122       | 215,675        | 532,553       |
| Net Revenues.....                                 | \$ 16,248,159 | \$ 5,885,877 | \$ 3,655,989   | \$ 25,790,025 |
| Expenditures:                                     |               |              |                |               |
| Current:  |               |              |                |               |
| Public Safety and Corrections.....                | \$ 540,999    | \$ 109,661   | \$ 162,976     | \$ 813,636    |
| Transportation.....                               | 230,195       | 223,423      | 1,311,792      | 1,765,410     |
| Agricultural and Environmental Resources.....     | 177,342       | 41,936       | 387,636        | 606,914       |
| Economic and Workforce Development.....           | 128,870       | 214,802      | 289,133        | 632,805       |
| General Education.....                            | 6,614,672     | 624,769      | 81,050         | 7,320,491     |
| Higher Education.....                             | 784,191       | -            | 138,581        | 922,772       |
| Health and Human Services.....                    | 4,377,724     | 4,603,967    | 721,148        | 9,702,839     |
| General Government.....                           | 641,915       | 12,069       | 45,601         | 699,585       |
| Intergovernment Aid.....                          | 1,489,229     | -            | 210            | 1,489,439     |
| Securities Lending Rebates and Fees.....          | 9,956         | -            | 19,973         | 29,929        |
| Total Current Expenditures.....                   | \$ 14,995,093 | \$ 5,830,627 | \$ 3,158,100   | \$ 23,983,820 |
| Capital Outlay.....                               | 4,783         | 8,320        | 679,938        | 693,041       |
| Debt Service.....                                 | 36,059        | 407          | 535,650        | 572,116       |
| Total Expenditures.....                           | \$ 15,035,935 | \$ 5,839,354 | \$ 4,373,688   | \$ 25,248,977 |
| Excess of Revenues Over (Under) Expenditures..... | \$ 1,212,224  | \$ 46,523    | \$ (717,699)   | \$ 541,048    |
| Other Financing Sources (Uses):                   |               |              |                |               |
| General Obligation Bond Issuance.....             | \$ -          | \$ -         | \$ 705,300     | \$ 705,300    |
| Revenue Bond Issuance.....                        | -             | -            | 15,145         | 15,145        |
| Loan Proceeds.....                                | -             | -            | 24,610         | 24,610        |
| Proceeds from Refunding Bonds.....                | -             | -            | 264,050        | 264,050       |
| Payment to Refunded Bonds Escrow Agent.....       | -             | -            | (264,050)      | (264,050)     |
| Bond Issue Premium.....                           | -             | -            | 57,918         | 57,918        |
| Transfers-In.....                                 | 500,911       | 1,468        | 2,293,451      | 2,795,830     |
| Transfers-Out.....                                | (1,271,835)   | (48,146)     | (1,955,447)    | (3,275,428)   |
| Capital Leases.....                               | -             | 780          | 310            | 1,090         |
| Net Other Financing Sources (Uses).....           | \$ (770,924)  | \$ (45,898)  | \$ 1,141,287   | \$ 324,465    |
| Net Change in Fund Balances.....                  | \$ 441,300    | \$ 625       | \$ 423,588     | \$ 865,513    |
| Fund Balances, Beginning, as Reported.....        | \$ 838,807    | \$ 6,703     | \$ 3,705,296   | \$ 4,550,806  |
| Change in Fund Structure.....                     | -             | -            | (9,588)        | (9,588)       |
| Fund Balances, Beginning, as Restated.....        | \$ 838,807    | \$ 6,703     | \$ 3,695,708   | \$ 4,541,218  |
| Change in Inventory.....                          | -             | -            | 2,845          | 2,845         |
| Fund Balances, Ending.....                        | \$ 1,280,107  | \$ 7,328     | \$ 4,122,141   | \$ 5,409,576  |

The notes are an integral part of the financial statements.

# STATE OF MINNESOTA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   |                     |
|---|---------------------|
| <b>Net Change in Fund Balances for Governmental Funds</b> .....   | <b>\$ 865,513</b>   |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                     |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of \$67,879 in the current period..... | 625,162             |
| Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.....  | (4,476)             |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported with governmental activities.....  | 2,860               |
| The direct expenses of the appropriate function is used for reporting inventory in the Statement of Activities, but in the Governmental funds the purchases method is used.....   | 2,845               |
| Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....   | 150,567             |
| Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets.....   | (1,067,023)         |
| Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is reported as a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability increase.....   | (1,090)             |
| Repayment of bonds and loans are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.....  | 608,656             |
| Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.....  | 21,544              |
| <b>Change in Net Assets of Governmental Activities</b> .....  | <b>\$ 1,204,558</b> |

# STATE OF MINNESOTA

## MAJOR GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS

YEAR ENDED JUNE 30, 2007

(IN THOUSANDS)

|   | GENERAL FUND       |                 |               |
|---|--------------------|-----------------|---------------|
|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL        |
| Net Revenues:                                 |                    |                 |               |
| Individual Income Taxes.....                  | \$ 6,948,365       | \$ 7,093,500    | \$ 7,230,856  |
| Corporate Income Taxes.....                   | 883,250            | 1,177,900       | 1,171,101     |
| Sales Taxes.....                              | 4,624,077          | 4,519,337       | 4,478,675     |
| Property Taxes.....                           | 663,930            | 663,372         | 665,744       |
| Motor Vehicle Taxes.....                      | 379,799            | 363,337         | 368,317       |
| Other Taxes.....                              | 1,209,011          | 1,245,168       | 1,217,446     |
| Departmental Earnings/Licenses & Fees.....    | 339,640            | 343,826         | 283,918       |
| Investment/Interest Income.....               | 22,000             | 86,500          | 105,149       |
| Tobacco Settlement.....                       | 173,267            | 180,605         | 183,911       |
| Other Revenues.....                           | 373,407            | 398,495         | 420,322       |
| Net Revenues.....                             | \$ 15,616,746      | \$ 16,072,040   | \$ 16,125,439 |
| Expenditures:                                 |                    |                 |               |
| Public Safety and Corrections.....            | \$ 561,793         | \$ 563,321      | \$ 558,215    |
| Transportation.....                           | 227,667            | 232,389         | 231,973       |
| Agricultural and Environmental Resources..... | 188,576            | 195,728         | 193,402       |
| Economic and Workforce Development.....       | 110,663            | 106,762         | 97,588        |
| General Education.....                        | 6,617,516          | 6,597,007       | 6,591,196     |
| Higher Education.....                         | 812,685            | 812,685         | 811,589       |
| Health and Human Services.....                | 4,325,795          | 4,301,090       | 4,233,419     |
| General Government.....                       | 681,338            | 694,072         | 648,257       |
| Intergovernment Aid.....                      | 1,584,149          | 1,504,422       | 1,504,395     |
| Total Expenditures.....                       | \$ 15,110,182      | \$ 15,007,476   | \$ 14,870,034 |
| Excess of Revenues Over (Under)               |                    |                 |               |
| Expenditures.....                             | \$ 506,564         | \$ 1,064,564    | \$ 1,255,405  |
| Other Financing Sources (Uses):               |                    |                 |               |
| Transfers-In.....                             | \$ 613,825         | \$ 389,775      | \$ 400,273    |
| Transfers-Out.....                            | (1,238,215)        | (1,252,955)     | (1,252,955)   |
| Net Other Financing Sources (Uses).....       | \$ (624,390)       | \$ (863,180)    | \$ (852,682)  |
| Net Change in Fund Balances.....              | \$ (117,826)       | \$ 201,384      | \$ 402,723    |
| Fund Balances, Beginning, as Reported .....   | \$ 1,884,109       | \$ 1,884,109    | \$ 1,884,109  |
| Prior Period Adjustments.....                 | -                  | -               | 27,837        |
| Fund Balances, Beginning, as Restated.....    | \$ 1,884,109       | \$ 1,884,109    | \$ 1,911,946  |
| Budgetary Fund Balances, Ending.....          | \$ 1,766,283       | \$ 2,085,493    | \$ 2,314,669  |
| Less: Appropriation Carryover.....            | -                  | -               | 38,832        |
| Less: Reserved for Long-Term Receivables..... | -                  | -               | 45,481        |
| Less: Budgetary Reserve.....                  | -                  | -               | 1,112,660     |
| Undesignated Fund Balances, Ending.....       | \$ 1,766,283       | \$ 2,085,493    | \$ 1,117,696  |

The notes are an integral part of the financial statements.



State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Major Proprietary Funds

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## **State Colleges and Universities Fund**

The fund accounts for the activities of Minnesota State Colleges and Universities (MnSCU). MnSCU is a system of public state universities and two-year colleges and is the largest system of higher education in the state. While the primary activity of MnSCU is to provide educational services, the fund also includes scholarships, student loans, bookstores, student living activities, research, and long-term debt.

## **Unemployment Insurance Fund**

The fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

## STATE OF MINNESOTA

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(IN THOUSANDS)**

|   | ENTERPRISE FUNDS                    |                           |                                 |              |                              |
|---|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|
|   | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |
| <b>ASSETS</b>   |                                     |                           |                                 |              |                              |
| Current Assets:   |                                     |                           |                                 |              |                              |
| Cash and Cash Equivalents.....                          | \$ 511,199                          | \$ 412,462                | \$ 94,630                       | \$ 1,018,291 | \$ 215,344                   |
| Investments.....  | 28,891                              | -                         | -                               | 28,891       | 20,061                       |
| Accounts Receivable.....                                | 37,334                              | 367,710                   | 31,936                          | 436,980      | 20,472                       |
| Interfund Receivables.....                              | 30,363                              | -                         | -                               | 30,363       | -                            |
| Accrued Investment/Interest Income.....                 | -                                   | -                         | 17                              | 17           | 341                          |
| Federal Aid Receivable.....                             | 11,692                              | 1,305                     | -                               | 12,997       | -                            |
| Inventories.....  | 10,370                              | -                         | 7,490                           | 17,860       | 946                          |
| Deferred Costs.....                                     | 274                                 | -                         | 407                             | 681          | 1,762                        |
| Loans and Notes Receivable.....                         | 8,482                               | -                         | -                               | 8,482        | -                            |
| Securities Lending Collateral.....                      | 33,145                              | -                         | -                               | 33,145       | 19,057                       |
| Other Assets.....                                       | -                                   | -                         | 1,977                           | 1,977        | -                            |
| Total Current Assets.....                               | \$ 671,750                          | \$ 781,477                | \$ 136,457                      | \$ 1,589,684 | \$ 277,983                   |
| Noncurrent Assets:                                      |                                     |                           |                                 |              |                              |
| Cash and Cash Equivalents-Restricted.....               | \$ 107,561                          | \$ -                      | \$ 1,627                        | \$ 109,188   | \$ -                         |
| Other Assets-Restricted.....                            | 95                                  | -                         | -                               | 95           | -                            |
| Deferred Costs.....                                     | -                                   | -                         | -                               | -            | 455                          |
| Loans and Notes Receivable.....                         | 25,384                              | -                         | -                               | 25,384       | -                            |
| Depreciable Capital Assets (Net).....                   | 1,064,344                           | -                         | 32,481                          | 1,096,825    | 27,719                       |
| Nondepreciable Capital Assets.....                      | 210,000                             | -                         | 1,679                           | 211,679      | -                            |
| Total Noncurrent Assets.....                            | \$ 1,407,384                        | \$ -                      | \$ 35,787                       | \$ 1,443,171 | \$ 28,174                    |
| Total Assets.....                                       | \$ 2,079,134                        | \$ 781,477                | \$ 172,244                      | \$ 3,032,855 | \$ 306,157                   |
| <b>LIABILITIES</b>                                      |                                     |                           |                                 |              |                              |
| Current Liabilities:                                    |                                     |                           |                                 |              |                              |
| Accounts Payable.....                                   | \$ 167,121                          | \$ 26,296                 | \$ 24,700                       | \$ 218,117   | \$ 76,327                    |
| Interfund Payables.....                                 | -                                   | 50,446                    | 16,313                          | 66,759       | 133                          |
| Unearned Revenue.....                                   | 35,578                              | 11,546                    | 1,278                           | 48,402       | 4,530                        |
| Accrued Bond Interest Payable.....                      | -                                   | -                         | 317                             | 317          | -                            |
| General Obligation Bonds Payable.....                   | 13,114                              | -                         | 259                             | 13,373       | -                            |
| Loans and Notes Payable.....                            | 995                                 | -                         | -                               | 995          | 4,854                        |
| Revenue Bonds Payable.....                              | 2,080                               | -                         | 3,295                           | 5,375        | -                            |
| Workers' Compensation Liability.....                    | 1,756                               | -                         | -                               | 1,756        | -                            |
| Capital Leases.....                                     | 2,677                               | -                         | 49                              | 2,726        | -                            |
| Compensated Absences Payable.....                       | 14,436                              | -                         | 1,869                           | 16,305       | 464                          |
| Securities Lending Liabilities.....                     | 33,145                              | -                         | -                               | 33,145       | 19,057                       |
| Other Liabilities.....                                  | 20,742                              | -                         | 40                              | 20,782       | -                            |
| Total Current Liabilities.....                          | \$ 291,644                          | \$ 88,288                 | \$ 48,120                       | \$ 428,052   | \$ 105,365                   |
| Noncurrent Liabilities:                                 |                                     |                           |                                 |              |                              |
| General Obligation Bonds Payable.....                   | \$ 171,831                          | \$ -                      | \$ 2,892                        | \$ 174,723   | \$ -                         |
| Loans and Notes Payable.....                            | 4,424                               | -                         | -                               | 4,424        | 13,022                       |
| Revenue Bonds Payable.....                              | 120,271                             | -                         | 45,295                          | 165,566      | -                            |
| Workers' Compensation Liability.....                    | 4,099                               | -                         | -                               | 4,099        | -                            |
| Capital Leases.....                                     | 21,819                              | -                         | 837                             | 22,656       | -                            |
| Compensated Absences Payable.....                       | 103,184                             | -                         | 9,915                           | 113,099      | 4,876                        |
| Advances from Other Funds.....                          | -                                   | -                         | -                               | -            | 1,750                        |
| Other Liabilities.....                                  | 44,530                              | -                         | 2,122                           | 46,652       | -                            |
| Total Noncurrent Liabilities.....                       | \$ 470,158                          | \$ -                      | \$ 61,061                       | \$ 531,219   | \$ 19,648                    |
| Total Liabilities.....                                  | \$ 761,802                          | \$ 88,288                 | \$ 109,181                      | \$ 959,271   | \$ 125,013                   |
| <b>NET ASSETS</b>                                       |                                     |                           |                                 |              |                              |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 998,935                          | \$ -                      | \$ 18,020                       | \$ 1,016,955 | \$ 9,995                     |
| Restricted for:   |                                     |                           |                                 |              |                              |
| Bond Covenants.....                                     | \$ 45,042                           | \$ -                      | \$ -                            | \$ 45,042    | \$ -                         |
| Debt Service.....                                       | 19,989                              | -                         | -                               | 19,989       | -                            |
| Capital Projects.....                                   | 12,175                              | -                         | -                               | 12,175       | -                            |
| Economic and Workforce Development.....                 | -                                   | -                         | 4,830                           | 4,830        | -                            |
| Health and Human Services.....                          | -                                   | -                         | 27,942                          | 27,942       | -                            |
| Other Purposes.....                                     | 13,984                              | -                         | 13,674                          | 27,658       | -                            |
| Total Restricted.....                                   | \$ 91,190                           | \$ -                      | \$ 46,446                       | \$ 137,636   | \$ -                         |
| Unrestricted.....                                       | \$ 227,207                          | \$ 693,189                | \$ (1,403)                      | \$ 918,993   | \$ 171,149                   |
| Total Net Assets.....                                   | \$ 1,317,332                        | \$ 693,189                | \$ 63,063                       | \$ 2,073,584 | \$ 181,144                   |

The notes are an integral part of the financial statements.



# STATE OF MINNESOTA

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | ENTERPRISE FUNDS                    |                           |                                 |              |                              |
|---|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|
|   | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |
| Operating Revenues:                                 |                                     |                           |                                 |              |                              |
| Tuition and Fees.....                               | \$ 648,413                          | \$ -                      | \$ -                            | \$ 648,413   | \$ -                         |
| Net Sales.....                                      | -                                   | -                         | 467,011                         | 467,011      | 17,866                       |
| Rental and Service Fees.....                        | -                                   | -                         | 170,880                         | 170,880      | 158,813                      |
| Insurance Premiums.....                             | -                                   | 890,362                   | 12,958                          | 903,320      | 559,185                      |
| Federal Revenues.....                               | 169,629                             | -                         | -                               | 169,629      | -                            |
| State Grants.....                                   | 85,166                              | -                         | -                               | 85,166       | -                            |
| Other Income.....                                   | 17,163                              | 55,907                    | 2,378                           | 75,448       | 6,425                        |
| Total Operating Revenues.....                       | \$ 920,371                          | \$ 946,269                | \$ 653,227                      | \$ 2,519,867 | \$ 742,289                   |
| Less: Cost of Goods Sold.....                       | -                                   | -                         | 310,271                         | 310,271      | 5,680                        |
| Gross Margin.....                                   | \$ 920,371                          | \$ 946,269                | \$ 342,956                      | \$ 2,209,596 | \$ 736,609                   |
| Operating Expenses:                                 |                                     |                           |                                 |              |                              |
| Purchased Services.....                             | \$ 195,894                          | \$ -                      | \$ 44,097                       | \$ 239,991   | \$ 158,707                   |
| Salaries and Fringe Benefits.....                   | 1,071,585                           | -                         | 115,962                         | 1,187,547    | 47,175                       |
| Student Financial Aid.....                          | 27,577                              | -                         | -                               | 27,577       | -                            |
| Unemployment Benefits.....                          | -                                   | 735,987                   | -                               | 735,987      | -                            |
| Claims.....   | -                                   | -                         | 9,739                           | 9,739        | 478,117                      |
| Depreciation.....                                   | 72,131                              | -                         | 4,147                           | 76,278       | 9,249                        |
| Amortization.....                                   | -                                   | -                         | 71                              | 71           | 237                          |
| Supplies and Materials.....                         | 83,377                              | -                         | 6,430                           | 89,807       | 8,604                        |
| Repairs and Maintenance.....                        | 39,185                              | -                         | -                               | 39,185       | -                            |
| Indirect Costs.....                                 | -                                   | -                         | 9,078                           | 9,078        | 1,821                        |
| Other Expenses.....                                 | 38,072                              | -                         | 6,272                           | 44,344       | 2,813                        |
| Total Operating Expenses.....                       | \$ 1,527,821                        | \$ 735,987                | \$ 195,796                      | \$ 2,459,604 | \$ 706,723                   |
| Operating Income (Loss).....                        | \$ (607,450)                        | \$ 210,282                | \$ 147,160                      | \$ (250,008) | \$ 29,886                    |
| Nonoperating Revenues (Expenses):                   |                                     |                           |                                 |              |                              |
| Investment Income.....                              | \$ 21,968                           | \$ 23                     | \$ 4,780                        | \$ 26,771    | \$ 12,398                    |
| Private Grants.....                                 | 13,512                              | -                         | -                               | 13,512       | -                            |
| Grants and Subsidies.....                           | 1,839                               | 4,389                     | -                               | 6,228        | -                            |
| Securities Lending Income.....                      | 1,361                               | -                         | -                               | 1,361        | 852                          |
| Other Nonoperating Revenues.....                    | -                                   | 17,410                    | 56                              | 17,466       | 58                           |
| Interest and Financing Costs.....                   | (14,078)                            | -                         | (2,411)                         | (16,489)     | (414)                        |
| Grants, Aids and Subsidies.....                     | (9,037)                             | -                         | (14,978)                        | (24,015)     | -                            |
| Securities Lending Rebates and Fees.....            | (1,346)                             | -                         | -                               | (1,346)      | (843)                        |
| Other Nonoperating Expenses.....                    | -                                   | -                         | (3,442)                         | (3,442)      | (8,533)                      |
| Gain (Loss) on Disposal of Capital Assets.....      | 189                                 | -                         | 156                             | 345          | (219)                        |
| Total Nonoperating Revenues (Expenses).....         | \$ 14,408                           | \$ 21,822                 | \$ (15,839)                     | \$ 20,391    | \$ 3,299                     |
| Income (Loss) Before Transfers & Contributions..... | \$ (593,042)                        | \$ 232,104                | \$ 131,321                      | \$ (229,617) | \$ 33,185                    |
| Capital Contributions.....                          | 117,174                             | -                         | -                               | 117,174      | 655                          |
| Transfers-In.....                                   | 602,194                             | -                         | 3,782                           | 605,976      | -                            |
| Transfers-Out.....                                  | -                                   | (57,251)                  | (155,321)                       | (212,572)    | (30,980)                     |
| Change in Net Assets.....                           | \$ 126,326                          | \$ 174,853                | \$ (20,218)                     | \$ 280,961   | \$ 2,860                     |
| Net Assets, Beginning, as Reported.....             | \$ 1,191,006                        | \$ 518,336                | \$ 73,809                       | \$ 1,783,151 | \$ 178,284                   |
| Change in Fund Structure.....                       | -                                   | -                         | 9,472                           | 9,472        | -                            |
| Net Assets, Beginning, as Restated.....             | \$ 1,191,006                        | \$ 518,336                | \$ 83,281                       | \$ 1,792,623 | \$ 178,284                   |
| Net Assets, Ending.....                             | \$ 1,317,332                        | \$ 693,189                | \$ 63,063                       | \$ 2,073,584 | \$ 181,144                   |

The notes are an integral part of the financial statements.

# STATE OF MINNESOTA

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|  | ENTERPRISE FUNDS                    |                           |                                 |              |                              |
|--|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|
|  | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |
| Cash Flows from Operating Activities:                                |                                     |                           |                                 |              |                              |
| Receipts from Customers.....   | \$ 720,160                          | \$ 965,080                | \$ 651,114                      | \$ 2,336,354 | \$ 739,190                   |
| Receipts from Grants.....  | 254,507                             | -                         | -                               | 254,507      | -                            |
| Receipts from Other Revenues.....                                    | -                                   | -                         | 2,202                           | 2,202        | 7,341                        |
| Receipts from Repayment of Program Loans.....                        | 6,468                               | -                         | -                               | 6,468        | -                            |
| Financial Aid Disbursements.....                                     | (28,906)                            | -                         | -                               | (28,906)     | -                            |
| Payments to Claimants.....   | -                                   | (734,094)                 | (260,717)                       | (994,811)    | (475,804)                    |
| Payments to Suppliers.....   | (402,211)                           | -                         | (98,379)                        | (500,590)    | (168,537)                    |
| Payments to Employees.....   | (1,056,157)                         | -                         | (114,856)                       | (1,171,013)  | (46,436)                     |
| Payments to Others.....  | -                                   | -                         | (25,363)                        | (25,363)     | (6,440)                      |
| Payments of Program Loans.....                                       | (6,112)                             | -                         | -                               | (6,112)      | -                            |
| Net Cash Flows from Operating Activities.....                        | \$ (512,251)                        | \$ 230,986                | \$ 154,001                      | \$ (127,264) | \$ 49,314                    |
| Cash Flows from Noncapital Financing Activities:                     |                                     |                           |                                 |              |                              |
| Grant Receipts.....  | \$ 13,512                           | \$ 3,085                  | \$ -                            | \$ 16,597    | \$ -                         |
| Grant Disbursements.....   | -                                   | -                         | (16,003)                        | (16,003)     | -                            |
| Transfers-In.....  | 602,194                             | -                         | 3,782                           | 605,976      | -                            |
| Transfers-Out.....   | -                                   | (50,591)                  | (149,787)                       | (200,378)    | (30,212)                     |
| Advances from Other Funds.....                                       | -                                   | -                         | -                               | -            | 2,000                        |
| Repayments of Advances from Other Funds.....                         | -                                   | -                         | -                               | -            | (3,886)                      |
| Proceeds from Bonds.....   | -                                   | -                         | 37,298                          | 37,298       | -                            |
| Interest Paid.....   | -                                   | -                         | (976)                           | (976)        | -                            |
| Other Nonoperating Expenses.....                                     | (6,056)                             | -                         | (3,440)                         | (9,496)      | (8,488)                      |
| Other Nonoperating Revenues.....                                     | -                                   | 17,308                    | -                               | 17,308       | -                            |
| Net Cash Flows from Noncapital Financing Activities.....             | \$ 609,650                          | \$ (30,198)               | \$ (129,126)                    | \$ 450,326   | \$ (40,586)                  |
| Cash Flows from Capital and Related Financing Activities:            |                                     |                           |                                 |              |                              |
| Capital Contributions.....   | \$ 106,852                          | \$ -                      | \$ -                            | \$ 106,852   | \$ -                         |
| Investment in Capital Assets.....                                    | (175,290)                           | -                         | (3,441)                         | (178,731)    | (11,504)                     |
| Proceeds from Disposal of Capital Assets.....                        | 20                                  | -                         | 112                             | 132          | 2,544                        |
| Proceeds from Capital Debt.....                                      | 88,811                              | -                         | -                               | 88,811       | -                            |
| Proceeds from Loans.....   | -                                   | -                         | -                               | -            | 9,557                        |
| Capital Lease Payments.....  | (2,603)                             | -                         | (126)                           | (2,729)      | -                            |
| Repayment of Loan Principal.....                                     | (1,101)                             | -                         | -                               | (1,101)      | (8,561)                      |
| Repayment of Bond Principal.....                                     | (14,909)                            | -                         | (912)                           | (15,821)     | -                            |
| Interest Paid.....   | (15,194)                            | -                         | (1,376)                         | (16,570)     | (717)                        |
| Net Cash Flows from Capital and Related<br>Financing Activities..... | \$ (13,414)                         | \$ -                      | \$ (5,743)                      | \$ (19,157)  | \$ (8,681)                   |
| Cash Flows from Investing Activities:                                |                                     |                           |                                 |              |                              |
| Proceeds from Sales and Maturities of Investments.....               | \$ 1,783                            | \$ -                      | \$ -                            | \$ 1,783     | \$ 12,704                    |
| Purchase of Investments.....   | (3,654)                             | -                         | -                               | (3,654)      | (12,640)                     |
| Investment Earnings.....   | 19,578                              | 126                       | 4,883                           | 24,587       | 12,409                       |
| Net Cash Flows from Investing Activities.....                        | \$ 17,707                           | \$ 126                    | \$ 4,883                        | \$ 22,716    | \$ 12,473                    |
| Net Increase (Decrease) in Cash and Cash Equivalents.....            | \$ 101,692                          | \$ 200,914                | \$ 24,015                       | \$ 326,621   | \$ 12,520                    |
| Cash and Cash Equivalents, Beginning, as Reported.....               | \$ 517,068                          | \$ 211,548                | \$ 64,248                       | \$ 792,864   | \$ 202,824                   |
| Change in Fund Structure.....  | -                                   | -                         | 7,994                           | 7,994        | -                            |
| Cash and Cash Equivalents, Beginning, as Restated.....               | \$ 517,068                          | \$ 211,548                | \$ 72,242                       | \$ 800,858   | \$ 202,824                   |
| Cash and Cash Equivalents, Ending.....                               | \$ 618,760                          | \$ 412,462                | \$ 96,257                       | \$ 1,127,479 | \$ 215,344                   |

# STATE OF MINNESOTA

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | ENTERPRISE FUNDS                    |                           |                                 |              |                              |
|---|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|
|   | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |                                     |                           |                                 |              |                              |
| Operating Income (Loss).....  | \$ (607,450)                        | \$ 210,282                | \$ 147,160                      | \$ (250,008) | \$ 29,886                    |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |                                     |                           |                                 |              |                              |
| Depreciation.....   | \$ 72,131                           | \$ -                      | \$ 4,147                        | \$ 76,278    | \$ 9,249                     |
| Amortization.....   | -                                   | -                         | 71                              | 71           | 237                          |
| Loan Principal Repayments.....  | 6,468                               | -                         | -                               | 6,468        | -                            |
| Loans Issued.....   | (6,112)                             | -                         | -                               | (6,112)      | -                            |
| Provision for Loan Defaults.....  | 155                                 | -                         | -                               | 155          | -                            |
| Loans Forgiven.....   | 652                                 | -                         | -                               | 652          | -                            |
| Change in Valuation of Assets.....  | 2,367                               | -                         | -                               | 2,367        | -                            |
| Change in Assets and Liabilities:   |                                     |                           |                                 |              |                              |
| Accounts Receivable.....  | (3,060)                             | 20,853                    | 768                             | 18,561       | 3,943                        |
| Inventories.....  | (708)                               | -                         | 1,185                           | 477          | (75)                         |
| Other Assets.....   | 77                                  | -                         | 1,398                           | 1,475        | (369)                        |
| Accounts Payable.....   | 11,667                              | (2,138)                   | 1,394                           | 10,923       | 6,483                        |
| Compensated Absences Payable.....   | 9,286                               | -                         | 629                             | 9,915        | 496                          |
| Unearned Revenues.....  | 3,879                               | 1,989                     | (2,754)                         | 3,114        | (662)                        |
| Other Liabilities.....  | (1,603)                             | -                         | 3                               | (1,600)      | 126                          |
| Net Reconciling Items to be Added to<br>(Deducted from) Operating Income.....                     | \$ 95,199                           | \$ 20,704                 | \$ 6,841                        | \$ 122,744   | \$ 19,428                    |
| Net Cash Flows from Operating Activities.....   | \$ (512,251)                        | \$ 230,986                | \$ 154,001                      | \$ (127,264) | \$ 49,314                    |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                       |                                     |                           |                                 |              |                              |
| Donated Assets.....   | \$ 1,034                            | \$ -                      | \$ -                            | \$ 1,034     | \$ -                         |
| Change in Fair Value of Investments.....  | 995                                 | -                         | -                               | 995          | -                            |
| Capital Assets Purchased on Account.....  | 33,716                              | -                         | -                               | 33,716       | -                            |
| Disposal of Capital Assets.....   | -                                   | -                         | -                               | -            | 431                          |
| Buildings Capitalized under Notes Payable.....  | 592                                 | -                         | -                               | 592          | -                            |
| Investment Earning on Account.....  | 686                                 | -                         | -                               | 686          | 1,066                        |
| Bond Premium Amortization.....  | 804                                 | -                         | 174                             | 978          | -                            |

The notes are an integral part of the financial statements.





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# Fiduciary Funds

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## **Pension Trust Funds**

The funds are retirement funds administered by independent boards for which the state performs a fiduciary role.

## **Investment Trust Funds**

The funds account for the external portion of the state's investment pools.

## **Agency Fund**

This fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

# STATE OF MINNESOTA

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2007 (IN THOUSANDS)

|   | PENSION<br>TRUST | INVESTMENT<br>TRUST | AGENCY     |
|---|------------------|---------------------|------------|
| <b>ASSETS</b>   |                  |                     |            |
| Cash and Cash Equivalents.....  | \$ 9,132         | \$ -                | \$ 121,440 |
| Investment Pools, at fair value:  |                  |                     |            |
| Cash Equivalent Investments.....  | \$ 3,632,621     | \$ 17,546           | \$ -       |
| Investments:  |                  |                     |            |
| Commercial Paper.....   | \$ 184,400       | \$ 1,676            | \$ -       |
| Debt Securities.....  | 12,320,578       | 125,829             | -          |
| Equity Securities.....  | 36,552,394       | 354,798             | -          |
| Mutual Funds.....   | 4,301,626        | -                   | -          |
| Total Investments.....  | \$ 53,358,998    | \$ 482,303          | \$ -       |
| Accrued Interest and Dividends.....   | \$ 151,987       | \$ 1,567            | \$ -       |
| Securities Trades Receivables (Payables).....                               | (1,683,962)      | (15,445)            | -          |
| Total Investment Pool Participation.....                                    | \$ 55,459,644    | \$ 485,971          | \$ -       |
| Receivables:  |                  |                     |            |
| Employer Contributions.....   | \$ 20,472        | \$ -                | \$ -       |
| Member Contributions.....   | 9,744            | -                   | -          |
| Accounts Receivable.....  | -                | -                   | 15,314     |
| Interfund Receivables.....  | 5,155            | -                   | -          |
| Other Receivables.....  | 43,106           | -                   | -          |
| Accrued Interest and Dividends.....   | 321              | -                   | -          |
| Total Receivables.....  | \$ 78,798        | \$ -                | \$ 15,314  |
| Securities Lending Collateral.....  | \$ 8,055,519     | \$ 98,291           | \$ -       |
| Depreciable Capital Assets (Net).....                                       | 26,865           | -                   | -          |
| Nondepreciable Capital Assets.....  | 429              | -                   | -          |
| Total Assets.....   | \$ 63,630,387    | \$ 584,262          | \$ 136,754 |
| <b>LIABILITIES</b>  |                  |                     |            |
| Accounts Payable.....   | \$ 52,755        | \$ 81               | \$ 136,754 |
| Interfund Payables.....   | 5,155            | -                   | -          |
| Accrued Expense.....  | 42               | -                   | -          |
| Revenue Bonds Payable.....  | 26,075           | -                   | -          |
| Bond Interest.....  | 79               | -                   | -          |
| Compensated Absences Payable.....   | 2,039            | -                   | -          |
| Securities Lending Liabilities.....   | 8,055,519        | 98,291              | -          |
| Total Liabilities.....  | \$ 8,141,664     | \$ 98,372           | \$ 136,754 |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants..... | \$ 55,488,723    | \$ 485,890          | \$ -       |

The notes are an integral part of the financial statements.

# STATE OF MINNESOTA

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | PENSION<br>TRUST | INVESTMENT<br>TRUST |
|---|------------------|---------------------|
| Additions:  |                  |                     |
| Contributions:  |                  |                     |
| Employer.....   | \$ 713,875       | \$ -                |
| Member.....   | 938,924          | -                   |
| Contributions From Other Sources.....   | 44,563           | -                   |
| Participating Plans.....  | -                | 97,948              |
| Total Contributions.....  | \$ 1,697,362     | \$ 97,948           |
| Net Investment Income:  |                  |                     |
| Investment Income.....  | \$ 8,614,720     | \$ 65,921           |
| Less: Investment Expense.....   | (69,799)         | (339)               |
| Net Investment Income.....  | \$ 8,544,921     | \$ 65,582           |
| Securities Lending Revenues (Expenses):   |                  |                     |
| Securities Lending Income.....  | \$ 356,067       | \$ 3,593            |
| Borrower Rebates.....   | (332,670)        | (3,403)             |
| Management Fees.....  | (5,411)          | -                   |
| Net Securities Lending Revenue.....   | \$ 17,986        | \$ 190              |
| Total Investment Income.....  | \$ 8,562,907     | \$ 65,772           |
| Transfers From Other Funds.....   | \$ 19,395        | \$ -                |
| Other Additions.....  | 17,796           | -                   |
| Total Additions.....  | \$ 10,297,460    | \$ 163,720          |
| Deductions:   |                  |                     |
| Benefits.....   | \$ 2,916,024     | \$ -                |
| Refunds/Withdrawals.....  | 223,885          | 23,495              |
| Administrative Expenses.....  | 44,686           | -                   |
| Transfers to Other Funds.....   | 19,395           | -                   |
| Total Deductions.....   | \$ 3,203,990     | \$ 23,495           |
| Net Increase (Decrease).....  | \$ 7,093,470     | \$ 140,225          |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Beginning, as Reported..... | \$ 48,395,253    | \$ 345,665          |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Ending.....                 | \$ 55,488,723    | \$ 485,890          |

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# Major Component Unit Funds

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## **Housing Finance Agency**

The agency provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

## **Metropolitan Council**

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system. The Metropolitan Sports Facilities Commission, a component unit of the council, operates the Hubert H. Humphrey Metrodome sports facility.

## **University of Minnesota**

The multi-campus university provides under-graduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources to the benefit of the university.

# STATE OF MINNESOTA

## COMPONENT UNIT FUNDS STATEMENT OF NET ASSETS DECEMBER 31, 2006 and JUNE 30, 2007 (IN THOUSANDS)

|   | HOUSING<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|---|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>ASSETS</b>   |                              |                         |                               |                                |                             |
| Current Assets:   |                              |                         |                               |                                |                             |
| Cash and Cash Equivalents.....                          | \$ 242,155                   | \$ 50,530               | \$ 120,017                    | \$ 396,352                     | \$ 809,054                  |
| Investments.....  | 172,465                      | 224,651                 | 126,044                       | 537,882                        | 1,061,042                   |
| Accounts Receivable.....                                | 2,117                        | 17,487                  | 286,348                       | 47,861                         | 353,813                     |
| Due from Other Governmental Units.....                  | -                            | 17,762                  | -                             | -                              | 17,762                      |
| Due from Primary Government.....                        | -                            | 51,224                  | 100,956                       | 3,479                          | 155,659                     |
| Accrued Investment/Interest Income.....                 | 16,919                       | 3,019                   | 7,928                         | 19,913                         | 47,779                      |
| Federal Aid Receivable.....                             | 1,442                        | -                       | -                             | 391                            | 1,833                       |
| Inventories.....  | -                            | 18,424                  | 18,777                        | 32                             | 37,233                      |
| Deferred Costs.....                                     | 15,206                       | -                       | -                             | 6,087                          | 21,293                      |
| Loans and Notes Receivable.....                         | -                            | -                       | 13,061                        | 84,967                         | 98,028                      |
| Securities Lending Collateral.....                      | -                            | -                       | 194,840                       | 26,332                         | 221,172                     |
| Other Assets.....                                       | 2,727                        | 539                     | 28,067                        | 3,431                          | 34,764                      |
| Total Current Assets.....                               | \$ 453,031                   | \$ 383,636              | \$ 896,038                    | \$ 1,126,727                   | \$ 2,859,432                |
| Noncurrent Assets:                                      |                              |                         |                               |                                |                             |
| Cash and Cash Equivalents-Restricted.....               | \$ 540,947                   | \$ 67,657               | \$ 164,626                    | \$ 6,519                       | \$ 779,749                  |
| Investments-Restricted.....                             | 304,677                      | -                       | 134,089                       | 20,042                         | 458,808                     |
| Accounts Receivable-Restricted.....                     | -                            | 23,493                  | -                             | 2,684                          | 26,177                      |
| Due from Primary Government-Restricted.....             | -                            | 5,507                   | -                             | 22,491                         | 27,998                      |
| Other Assets-Restricted.....                            | -                            | 16,906                  | -                             | -                              | 16,906                      |
| Investments.....  | -                            | -                       | 3,346,352                     | 146,499                        | 3,492,851                   |
| Accounts Receivable.....                                | -                            | -                       | 67,282                        | 371,394                        | 438,676                     |
| Loans and Notes Receivable.....                         | 2,091,381                    | 35,983                  | 58,091                        | 2,042,359                      | 4,227,814                   |
| Depreciable Capital Assets (Net).....                   | 4,385                        | 2,040,439               | 1,845,822                     | 604                            | 3,891,250                   |
| Nondepreciable Capital Assets.....                      | -                            | 286,492                 | 264,097                       | 370                            | 550,959                     |
| Other Assets.....                                       | -                            | -                       | 5,235                         | 5,906                          | 11,141                      |
| Total Noncurrent Assets.....                            | \$ 2,941,390                 | \$ 2,476,477            | \$ 5,885,594                  | \$ 2,618,868                   | \$ 13,922,329               |
| Total Assets.....                                       | \$ 3,394,421                 | \$ 2,860,113            | \$ 6,781,632                  | \$ 3,745,595                   | \$ 16,781,761               |
| <b>LIABILITIES</b>                                      |                              |                         |                               |                                |                             |
| Current Liabilities:                                    |                              |                         |                               |                                |                             |
| Accounts Payable.....                                   | \$ 13,051                    | \$ 68,795               | \$ 191,964                    | \$ 15,025                      | \$ 288,835                  |
| Payable to Other Governmental Units.....                | -                            | 426                     | -                             | -                              | 426                         |
| Due to Primary Government.....                          | -                            | -                       | 5,420                         | 19,116                         | 24,536                      |
| Unearned Revenue.....                                   | -                            | 9,361                   | 111,242                       | 32,804                         | 153,407                     |
| Accrued Bond Interest Payable.....                      | 47,593                       | 3,760                   | 6,676                         | 15,008                         | 73,037                      |
| General Obligation Bonds Payable.....                   | -                            | 87,192                  | 113,529                       | -                              | 200,721                     |
| Loans and Notes Payable.....                            | -                            | -                       | 205,100                       | 658                            | 205,758                     |
| Revenue Bonds Payable.....                              | 525,475                      | 890                     | 4,204                         | 46,315                         | 576,884                     |
| Grants Payable.....                                     | -                            | -                       | -                             | 3,357                          | 3,357                       |
| Claims Payable.....                                     | -                            | 8,686                   | 16,679                        | 79,269                         | 104,634                     |
| Compensated Absences Payable.....                       | 158                          | 2,657                   | 150,170                       | 70                             | 153,055                     |
| Securities Lending Liabilities.....                     | -                            | -                       | 194,840                       | 26,332                         | 221,172                     |
| Other Liabilities.....                                  | -                            | 510                     | 11,409                        | 1,053                          | 12,972                      |
| Total Current Liabilities.....                          | \$ 586,277                   | \$ 182,277              | \$ 1,011,233                  | \$ 239,007                     | \$ 2,018,794                |
| Noncurrent Liabilities:                                 |                              |                         |                               |                                |                             |
| Accounts Payable-Restricted.....                        | \$ -                         | \$ 38,443               | \$ 56,157                     | \$ -                           | \$ 94,600                   |
| Unearned Revenue-Restricted.....                        | -                            | 75,838                  | -                             | -                              | 75,838                      |
| Accrued Bond Interest Payable-Restricted.....           | -                            | 8,650                   | -                             | -                              | 8,650                       |
| Due to Primary Government.....                          | -                            | -                       | 51,830                        | 49,190                         | 101,020                     |
| Unearned Revenue.....                                   | -                            | -                       | 4,134                         | -                              | 4,134                       |
| General Obligation Bonds Payable.....                   | -                            | 947,081                 | 262,424                       | -                              | 1,209,505                   |
| Loans and Notes Payable.....                            | -                            | 1,405                   | -                             | 5,747                          | 7,152                       |
| Revenue Bonds Payable.....                              | 1,873,513                    | 8,923                   | 150,055                       | 1,443,374                      | 3,475,865                   |
| Claims Payable.....                                     | -                            | 8,646                   | 11,517                        | 599,731                        | 619,894                     |
| Compensated Absences Payable.....                       | 1,588                        | 5,259                   | 12,350                        | 764                            | 19,961                      |
| Funds Held in Trust.....                                | 81,404                       | -                       | 8,385                         | -                              | 89,789                      |
| Other Liabilities.....                                  | -                            | 14,173                  | 92,424                        | 3,772                          | 110,369                     |
| Total Noncurrent Liabilities.....                       | \$ 1,956,505                 | \$ 1,108,418            | \$ 649,276                    | \$ 2,102,578                   | \$ 5,816,777                |
| Total Liabilities.....                                  | \$ 2,542,782                 | \$ 1,290,695            | \$ 1,660,509                  | \$ 2,341,585                   | \$ 7,835,571                |
| <b>NET ASSETS</b>                                       |                              |                         |                               |                                |                             |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 4,385                     | \$ 1,440,727            | \$ 1,456,530                  | \$ 974                         | \$ 2,902,616                |
| Restricted-Expendable.....                              | 847,254                      | 109,068                 | 2,243,433                     | 1,180,570                      | 4,380,325                   |
| Restricted-Nonexpendable.....                           | -                            | -                       | 924,451                       | -                              | 924,451                     |
| Unrestricted.....                                       | -                            | 19,623                  | 496,709                       | 222,466                        | 738,798                     |
| Total Net Assets.....                                   | \$ 851,639                   | \$ 1,569,418            | \$ 5,121,123                  | \$ 1,404,010                   | \$ 8,946,190                |

The notes are an integral part of the financial statements.

# STATE OF MINNESOTA

## COMPONENT UNIT FUNDS

### STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2006 AND JUNE 30, 2007

(IN THOUSANDS)

|   | HOUSING<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|---|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| Net Expenses:                             |                              |                         |                               |                                |                             |
| Total Expenses.....                       | \$ 359,001                   | \$ 712,332              | \$ 2,403,139                  | \$ 428,938                     | \$ 3,903,410                |
| Program Revenues:                         |                              |                         |                               |                                |                             |
| Charges for Services.....                 | \$ 176,452                   | \$ 322,011              | \$ 1,109,730                  | \$ 186,793                     | \$ 1,794,986                |
| Operating Grants and Contributions.....   | 174,541                      | 170,044                 | 807,209                       | 52,115                         | 1,203,909                   |
| Capital Grants and Contributions.....     | -                            | 74,442                  | 226,658                       | -                              | 301,100                     |
| Net (Expense) Revenue.....                | \$ (8,008)                   | \$ (145,835)            | \$ (259,542)                  | \$ (190,030)                   | \$ (603,415)                |
| General Revenues:                         |                              |                         |                               |                                |                             |
| Taxes.....                                | \$ -                         | \$ 185,157              | \$ -                          | \$ -                           | \$ 185,157                  |
| Investment Income.....                    | -                            | 22,661                  | 117,661                       | 47,081                         | 187,403                     |
| Other Revenues.....                       | 817                          | 170                     | 146,679                       | 2,018                          | 149,684                     |
| Total General Revenues before Grants..... | \$ 817                       | \$ 207,988              | \$ 264,340                    | \$ 49,099                      | \$ 522,244                  |
| State Grants Not Restricted.....          | 36,256                       | -                       | 645,619                       | 220,186                        | 902,061                     |
| Total General Revenues.....               | \$ 37,073                    | \$ 207,988              | \$ 909,959                    | \$ 269,285                     | \$ 1,424,305                |
| Change in Net Assets.....                 | \$ 29,065                    | \$ 62,153               | \$ 650,417                    | \$ 79,255                      | \$ 820,890                  |
| Net Assets, Beginning, as Reported .....  | \$ 822,574                   | \$ 1,507,265            | \$ 4,470,706                  | \$ 1,324,755                   | \$ 8,125,300                |
| Net Assets, Ending.....                   | \$ 851,639                   | \$ 1,569,418            | \$ 5,121,123                  | \$ 1,404,010                   | \$ 8,946,190                |

The notes are an integral part of the financial statements.





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## 2007 Comprehensive Annual Financial Report

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## 2007 Comprehensive Annual Financial Report

### Notes to the Financial Statements

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These notes provide disclosures relevant to the basic financial statements on the preceding pages.

#### **Note 1 – Summary of Significant Accounting and Reporting Policies**

##### **Basis of Presentation**

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

##### **Financial Reporting Entity of the State of Minnesota**

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization's relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the state.

Component units may be blended or discretely presented. All of the state's component units are discretely presented, or shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. They are also identified separately in the note disclosures because of their separate legal status. All component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

The following provides a description of the state's discretely presented component units. Additional information is available from the component unit's separately issued financial statements.

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.

- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints all voting members of the board and the OHE director.
- ClearWay Minnesota – ClearWay Minnesota issues grants to health, community, and academic organizations throughout Minnesota to support research and cessation activities that will encourage and help tobacco users quit. It is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of ClearWay Minnesota's governing board and is neither able to impose its will on ClearWay Minnesota nor is there a potential financial benefit/burden to the state, the state believes that excluding ClearWay Minnesota from the reporting entity would fail to provide a complete overview of tobacco settlement funds. As of July 2006, the name of this component unit changed from the Minnesota Partnership for Action Against Tobacco to ClearWay Minnesota.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The foundation's fiscal year ends December 31.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to PFA. The state provides funding for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of agriculture who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.



A component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Housing Finance Agency  
400 Sibley Street  
Suite 300  
St. Paul, Minnesota 55101

Metropolitan Council  
390 North Robert Street  
St. Paul, Minnesota 55101

Office of Higher Education  
1450 Energy Park Drive  
Suite 350  
St. Paul, Minnesota 55108

University of Minnesota  
Office of the Controller  
205 West Bank Office Building  
1300 South Second Street  
Minneapolis, Minnesota 55454

ClearWay Minnesota  
Two Appletree Square, Suite 400  
8011 34<sup>th</sup> Avenue South  
Minneapolis, Minnesota 55425

National Sports Center Foundation  
National Sports Center  
1700 105<sup>th</sup> Avenue Northeast  
Blaine, Minnesota 55449

Public Facilities Authority  
Department of Employment & Economic Development  
1<sup>st</sup> National Bank Bldg., 332 Minnesota St., Suite E200  
St. Paul, Minnesota 55101-1351

Workers' Compensation Assigned Risk Plan  
Park Glen Management Company  
4500 Park Glen Road, Suite 410  
Minneapolis, Minnesota 55416

**Related Entities –** These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority – The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

|  |   |
|--|---|
| Minnesota State Lottery<br>2645 Long Lake Road<br>Roseville, Minnesota 55113                       | Minnesota State Retirement System<br>60 Empire Drive, Suite 300<br>St. Paul, Minnesota 55103  |
| Public Employees Retirement Association<br>60 Empire Drive, Suite 200<br>St. Paul, Minnesota 55103 | Teachers Retirement Association<br>60 Empire Drive, Suite 400<br>St. Paul, Minnesota 55103  |
| State Board of Investment<br>60 Empire Drive, Suite 355<br>St. Paul, Minnesota 55103               | Minnesota State Colleges and Universities<br>Financial Reporting Unit<br>500 Wells Fargo Place, 30 East 7 <sup>th</sup> Street<br>St. Paul, Minnesota 55101 |

The financial statements available from the State Board of Investment report on the Supplemental Investment Fund, an external investment pool.

### **Financial Reporting Structure of the State of Minnesota**

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type.

### **Government-wide Financial Statements**

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the General Government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales tax, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function, or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

### **Fund Financial Statements**

Fund financial statements report on the financial operations and position of governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund statements is on the major funds in the governmental or business-type categories. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental funds are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state's fiduciary funds are presented in the fund financial statements by type (pension, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

### **Classification of Funds**

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. Included in this classification are:

- General Fund which accounts for all financial resources except those required to be accounted for in another fund.
- Special revenue funds which account for revenue sources that are restricted to expenditure for specific purposes (not including major capital projects).
- Capital project funds which account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or special revenue funds.
- Debt Service Fund which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.
- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund receives and disburses federal government grants and reimbursements.

Proprietary Fund Types – These funds focus on determining net income, changes in net assets, financial position, and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central stores, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds. The State Colleges and Universities Fund accounts for the activities of Minnesota State Colleges and Universities (MnSCU). MnSCU, the largest higher education system in the state, is a system of public colleges and universities. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Funds Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension, investment trust, and agency fund types are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

## **Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation**

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, and claims and judgments, which are recorded when due. The following provides further detail on specific items regarding the modified accrual basis of accounting.

**Tax Revenues** – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is accrued.

**Property Tax Revenues** – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and January 25, for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

**Federal Revenues** – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (a special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues.

Proprietary, pension, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting, but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Private-sector standards of accounting and financial reporting, including Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, generally are followed in the government-wide, proprietary, and component unit financial statements to the extent that those standards do not conflict with or contradict GASB guidance. Except for the Workers' Compensation Assigned Risk Plan

(WCARP) (component unit), the government has elected not to follow subsequent private-sector guidance. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989, that do not contradict GASB pronouncements.

### **Cash Equivalents and Investments**

**Cash Equivalents** – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

**Investments** – Investments are reported at fair value. The basis for determining the fair value of investments that is not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals. Investments in derivatives are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash and Investments for additional information regarding cash and investments.

### **Inventories**

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. For the Trunk Highway Fund (special revenue fund), inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

### **Securities Lending**

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Assets or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Assets; or the Statement of Changes in Net Assets, as appropriate for the particular fund type.

### **Restricted Assets**

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted assets. In the enterprise funds, restricted assets remaining after liabilities from restricted assets are paid, will be used for bond payments.

### **Income Tax Credits**

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. They are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

### **Grant Expenditures and Liabilities Recognition**

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis. Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement

grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

### **Compensated Absences**

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Assets. All other fund types report the liability for compensated absences as a liability of the specific fund.

### **Capital Assets**

Capital assets, which include land, buildings, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the state as assets with an initial, individual cost of more than \$30,000 for equipment and \$300,000 for buildings, and an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method based on the following useful lives: 40-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach, land, construction in progress, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets which reflects a reasonable value of the assets and cost required to maintain the service potential at established minimum standards in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in notes to the Required Supplementary Information. See Note 6 – Capital Assets for further information on capital assets.

### **Current and Noncurrent Assets**

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

## **Noncurrent Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, postretirement benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities for further information.

## **Deferred Compensation Plan**

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The state Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

## **Net Assets/Fund Balances**

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Assets represent the portion of net assets that are constrained either externally by parties such as creditors or grantors, or legally through constitution provisions or enabling legislation. Restricted net assets are determined at the fund level. For a fund with more than one revenue stream, restricted net assets were determined by the materiality of any restricted revenues coming into the fund. When both restricted and unrestricted net assets are available for use, the state policy is to use restricted resources first.

## **Budgeting and Budgetary Control**

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Environmental and Natural Resources, Iron Range Resources and Rehabilitation, Douglas J Johnson Economic Protection



Trust, Endowment, Maximum Effort School Loan, Health Impact Fee, Medical Education and Research, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. There are no instances where expenditures exceed the authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from the Department of Finance.

### **Interfund Activity and Balances**

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

### **Change in Fund Structure**

Laws of Minnesota 2005 authorized the sale of revenue bonds to pay for the enhancement of the state's 911 emergency response system. Activities relating to the issuance and use of these bonds, as well as the collection of the related 911 fees, has been moved from the Miscellaneous Special Revenue Fund and the Debt Service Fund to the 911 Services Fund (enterprise fund).

## **Note 2 – Cash and Investments**

### **Primary Government**

#### **Cash and Cash Equivalents**

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

#### **Deposits**

Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

## Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Generally, when applicable, the statutes limit investments to those rated within the top four quality ratings categories by a nationally recognized rating agency. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds may not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analyses of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Lehman Aggregate Bond Index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

### Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit investments in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers contain any guidelines or limitations regarding credit risk.

The primary government's investments, excluding pension trust and investment trust funds, as of June 30, 2007, are presented below using the Standard & Poor's (S & P) rating scale.

| <b>Primary Government<br/>Governmental, Proprietary, and Agency Funds<br/>Investments and Cash Equivalent Investments<br/>As of June 30, 2007 (In Thousands)</b> |                                    |  |  |             |                |              |
|--|------------------------------------|--|--|-------------|----------------|--------------|
|  | Fair Value                         | Weighted<br>Average<br>Maturity<br>(Years) | Lower of S & P or Moody<br>S & P Equivalent Rating |             |                |              |
|  |                                    |  | AA or<br>Better                                    | BBB<br>to A | BB or<br>Lower | Not<br>Rated |
| Debt Securities:   |                                    |  |  |             |                |              |
| U.S. Treasury  | \$ 201,172                         | 4.34                                       | 100%   | -           | -              | -            |
| U.S. Agencies  | 526,655                            | 6.58                                       | 100%   | -           | -              | -            |
| Mortgage-backed Securities   | 171,992                            | 21.95                                      | 83%  | 17%         | -              | -            |
| State or Local Government Bonds  | 156,372                            | 1.28                                       | 99%  | 1%          | -              | -            |
| Corporate Bonds  | 1,894,196                          | 2.59                                       | 83%  | 13%         | 1%             | 3%           |
| Commercial Paper   | 3,484,431                          | 0.12                                       | 100%   | -           | -              | -            |
| Repurchase Agreements  | 155,608                            | 0.08                                       | -  | -           | -              | 100%         |
| Short-term Securities  | 120,887                            | 0.20                                       | 78%  | 22%         | -              | -            |
| Total Debt Securities  | <u>\$ 6,711,313</u>                |  |  |             |                |              |
| Equity Investments:  |                                    |  |  |             |                |              |
| Corporate Stock  | \$ 737,232                         |  |  |             |                |              |
| Alternative Equities   | 8,069                              |  |  |             |                |              |
| Total Equity Investments   | <u>\$ 745,301</u>                  |  |  |             |                |              |
| Other Investments  |                                    |  |  |             |                |              |
| Escheat Property   | \$ 8,943                           |  |  |             |                |              |
| Money Market Accounts  | 8,786                              |  |  |             |                |              |
| Total Other Investments  | <u>\$ 17,729</u>                   |  |  |             |                |              |
| Total Investments  | <u>\$ 7,474,343</u> <sup>(1)</sup> |  |  |             |                |              |
| <sup>(1)</sup> Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.                  |                                    |  |  |             |                |              |

Investments of the pension trust and investment trust funds are presented below:

| <b>Primary Government<br/>Pension Trust and Investment Trust Funds Investments<br/>As of June 30, 2007<br/>(In Thousands)</b> |                      |  |  |             |                |              |
|---|----------------------|--|--|-------------|----------------|--------------|
|   | Fair Value           | Weighted<br>Average<br>Maturity<br>(Years) | Lower of S & P or Moody<br>S & P Equivalent Rating |             |                |              |
|   |                      |  | AA or<br>Better                                    | BBB<br>to A | BB or<br>Lower | Not<br>Rated |
| Debt Securities:  |                      |  |  |             |                |              |
| U.S. Treasury   | \$ 1,900,357         | 6.56                                       | 100%   | -           | -              | -            |
| U.S. Agencies   | 1,165,669            | 4.00                                       | 98%  | 1%          | -              | 1%           |
| Mortgage-backed Securities  | 6,659,678            | 25.25                                      | 99%  | -           | -              | 1%           |
| State or Local Government Bonds   | 244,868              | 5.67                                       | 92%  | 7%          | -              | 1%           |
| Corporate Bonds   | 2,639,415            | 9.75                                       | 20%  | 64%         | 14%            | 2%           |
| Commercial Paper  | 186,076              | 0.15                                       | 80%  | -           | -              | 20%          |
| Asset-backed Securities   | 707,345              | 12.53                                      | 92%  | 5%          | -              | 3%           |
| Short-term Securities   | 2,779,242            | 0.14                                       | 64%  | 30%         | -              | 6%           |
| Total Debt Securities   | <u>\$ 16,282,650</u> |  |  |             |                |              |
| Equity Investments:   |                      |  |  |             |                |              |
| Corporate Stock   | \$ 31,531,795        |  |  |             |                |              |
| Stock Options   | 40,397               |  |  |             |                |              |
| Alternative Equities  | 5,335,000            |  |  |             |                |              |
| Mutual Funds  | 4,301,626            |  |  |             |                |              |
| Total Equity Investments  | <u>\$ 41,208,818</u> |  |  |             |                |              |
| Total Investments   | <u>\$ 57,491,468</u> |  |  |             |                |              |

#### Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes, Section 11A.24, established the following parameters:

#### Unrated Corporate Obligations:

- Aggregate value may not exceed 5 percent of the market or book value, whichever is less, of the fund being invested.
- SBI's participation is limited to 50 percent of a single offering.
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

#### Corporate Stock:

- Aggregate value of corporate stock may not exceed 85 percent of the market or book value, whichever is less, of a fund.
- Generally, investment in corporate stock may not exceed five percent of the total outstanding shares of any one corporation.

The state had concentration of credit risk over 5 percent as of June 30, 2007, in the Federal National Mortgage Association (FNMA). FNMA represented 15.4 percent of the primary government's total debt securities investments and 5.5 percent of the state's total investments. The pension trust and investment trust funds included in the primary government had 21.8 percent of debt securities investments and 6.2 percent of total investments in FNMA.

#### Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country's legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2007.

The following table presents foreign currency risk for pension trust and investment trust funds:

| <b>Pension Trust and Investment Trust Funds</b><br><b>Foreign Currency Risk</b><br><b>International Investment Securities at Fair Value (In Thousands)</b><br><b>As of June 30, 2007</b> |                   |                 |                     |
|--|-------------------|-----------------|---------------------|
| Currency   | Cash              | Debt            | Equity              |
| Australian Dollar  | \$ 8,245          | \$ -            | \$ 299,040          |
| Brazilian Real   | 565               | -               | 77,421              |
| Canadian Dollar  | 8,108             | 1,373           | 381,011             |
| Euro Currency  | 33,484            | 6,410           | 2,195,094           |
| Hong Kong Dollar   | 1,190             | -               | 276,061             |
| Indian Rupee   | 665               | -               | 100,602             |
| Japanese Yen   | 26,601            | -               | 1,191,055           |
| New Taiwan Dollar  | 1,538             | -               | 113,439             |
| Pound Sterling   | 12,117            | -               | 1,321,655           |
| Singapore Dollar   | 363               | -               | 80,872              |
| South African Rand   | 546               | -               | 89,717              |
| South Korean Won   | 1,092             | -               | 140,787             |
| Swedish Krona  | 4,347             | -               | 167,797             |
| Swiss Franc  | 4,720             | -               | 405,071             |
| Other  | 1,697             | -               | 326,038             |
| Total  | <u>\$ 105,278</u> | <u>\$ 7,783</u> | <u>\$ 7,165,660</u> |

#### Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counter party, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

#### Securities Lending

Minnesota statutes do not prohibit the state from participating in securities lending transactions. The state has, by way of Custodial Trust Agreements, authorized State Street Bank and Trust Company (State Street) and Wells Fargo Bank, Minnesota, N.A., (Wells Fargo) to act as agents in lending state securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street and Wells Fargo lent on behalf of the state, certain securities held by State Street or Wells Fargo as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. Neither State Street nor Wells Fargo has the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the fair value of the loaned securities.

The state did not impose any restrictions during the fiscal year on the amount of the loans that either State Street or Wells Fargo made on the state's behalf. State Street and Wells Fargo indemnified the state by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year. In addition, there were no losses during the fiscal year resulting from default of the borrowers.

During the fiscal year, the state and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in separately managed funds of SBI.

| <b>Primary Government <sup>(1)</sup><br/>Securities Lending Analysis<br/>As of June 30, 2007<br/>(In Thousands)</b> |                |              |
|---|----------------|--------------|
|   | Wells<br>Fargo | State Street |
| Fair Value of Securities on Loan  | \$ 534,886     | \$ 9,225,511 |
| Collateral Held   | \$ 545,458     | \$ 9,567,384 |
| Average Duration  | 80 days        | N/A          |
| Average Weighted Maturity   | 80 days        | 53 days      |
| <sup>(1)</sup> Including securities lending for certain component units that invest through SBI.                    |                |              |

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2007, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

Funds not invested by SBI are primarily Minnesota State Colleges and Universities' funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

### Component Units

University of Minnesota and Metropolitan Council (major component units) were engaged in separate securities lending programs during the fiscal year and calendar year, respectively. Their separately issued financial statements disclose the facts regarding those programs. Neither had a credit risk at year-end.

## University of Minnesota

As of June 30, 2007, University of Minnesota (U of M), including its discretely presented component units, had \$284,643,000 of cash and cash equivalents and \$3,606,485,000 of investments. The U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of \$233,896,000 and investments of \$1,692,235,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2007, \$13,575,000 of the U of M's bank balance of \$13,675,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes the U of M investment policies and objectives. U of M uses internal investment pools designed to maximize investment return within consistent risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2007, \$542,064,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$368,313,000 was rated AAA
- \$118,079,000 was rated A to AA
- \$54,562,000 was rated BB to BBB
- \$1,110,000 was not rated

The securities subject to interest rate risk were comprised of:

- \$277,944,000 in government agencies with an average duration of 2.12 years
- \$88,741,000 in corporate bonds with an average duration of 0.72 years
- \$55,361,000 in mortgage backed securities with an average duration of 4.27 years
- \$80,014,000 in cash and cash equivalents with an average duration of .010 year
- \$40,004,000 in other types of securities (primarily mutual funds) with an average duration of 2.43 years

As of June 30, 2007, U of M had \$175,128,000 of equity investments subject to foreign currency risk. The three largest components of this amount (in thousands) are as follows:

|                |    |        |
|----------------|----|--------|
| Euro Currency  | \$ | 69,424 |
| Japanese Yen   | \$ | 41,701 |
| Pound Sterling | \$ | 37,328 |



## Metropolitan Council

As of December 31, 2006, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of \$342,838,000. Of this amount, \$309,839,000 was subject to rating. \$231,040,000 of these investments were rated Aaa using the Moody's rating scale. \$21,202,000 was commercial paper rated at A-1 or P-1, while \$57,597,000 was not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Off the \$233,583,000 United States Treasury and agency investments, MC has a custodial credit risk exposure of \$2,982,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted the simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2006. The investment portfolio has an average yield of 5.38 percent, modified duration of 6.38 years, effective duration of 4.31 years, and convexity of -.56.

The following table presents the estimated fair value of MC, excluding its component unit, investments subject to interest rate risk using the simulation model (in thousands).

|   | Estimated Fair<br>Value |
|---|-------------------------|
| December 31, 2006   | \$ 324,196              |
| Fair Value of Portfolio After Basis<br>Point Increase of: |                         |
| 50 Points   | \$ 318,460              |
| 100 Points  | \$ 312,091              |
| 150 Points  | \$ 305,897              |
| 200 Points  | \$ 299,963              |

## Housing Finance Agency

As of June 30, 2007, Housing Finance Agency (HFA) had \$1,260,244,000 of cash, cash equivalents, and investments. As of June 30, 2007, \$189,947,000 of deposits and \$333,121,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from .1 - .3 years (commercial paper) to 10.4 - 12.9 to years (US Treasuries).

HFA cash equivalents included \$590,166,000 of investment agreements, which are generally uncollateralized interest bearing contracts. As of June 30, 2007, all investment agreement providers had a Standard & Poor's long-term credit rating of 'AA-' or higher and a Moody's Investors Service long-term credit rating of 'Aa3' or higher as of June 30, 2007. The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

HFA investments had an estimated fair market value of \$477,142,000 as of June 30, 2007. Of these investments, \$437,301,000 were primarily as agency investments having a Standard & Poor's rating of 'AAA' and Moody's rating of 'Aaa.'

HFA investments in any single issuer as of June 30, 2007, excluding investments issued or explicitly guaranteed by the US Government, exceeding five percent of total investments. These investments amounted to \$772,356,000 and involved Federal Home Loan Bank, Wells Fargo, Rabobank, Depfa Bank, FSA Capital Management, and Bayerische Landesbank investment agreements.

#### Nonmajor Component Units

The following table presents the cash, cash equivalents, and investments (in thousands) by nonmajor component unit.

| <u>Component Unit</u>                       | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u> |
|---|--------------------------------------|--------------------|
| Agricultural and Economic Development Board | \$ 6,379                             | \$ 20,042          |
| ClearWay Minnesota                          | 28                                   | 178,380            |
| National Sports Center Foundation           | 666                                  | -                  |
| Office of Higher Education                  | 218,091                              | 17,695             |
| Public Facilities Authority                 | 158,084                              | 9,250              |
| Rural Finance Authority                     | 10,091                               | -                  |
| Workers' Compensation Assigned Risk Plan    | <u>9,532</u>                         | <u>332,557</u>     |
| Total                                       | <u>\$ 402,871</u>                    | <u>\$ 557,924</u>  |

### Note 3 – Disaggregation of Receivables

The following are the components of net accounts receivable as reported in the government-wide Statement of Net Assets as of June 30, 2007:

| <b>Components of Net Receivables<br/>As of June 30, 2007<br/>(In Thousands)</b> |                                 |                        |  |                     |
|---|---------------------------------|------------------------|--|---------------------|
|   | Governmental Activities         |                        |  | Total               |
|   | General Fund                    | Federal Fund           | Nonmajor Governmental Funds <sup>(1)</sup> |                     |
| Taxes:  |                                 |                        |  |                     |
| Corporate and Individual  | \$ 586,145                      | \$ -                   | \$ -                                       | \$ 586,145          |
| Sales and Use   | 401,303                         | -                      | -  | 401,303             |
| Property  | 361,406                         | -                      | -  | 361,406             |
| Health Care Provider  | 183,646                         | -                      | 85,884                                     | 269,530             |
| Highway Users   | -                               | -                      | 79,589                                     | 79,589              |
| Child Support   | 91,020                          | 91,461                 | -  | 182,481             |
| Workers' Compensation   | -                               | -                      | 104,493                                    | 104,493             |
| Other   | 215,599                         | 50,974                 | 99,047                                     | 365,620             |
| Net Receivables   | <u>\$ 1,839,119</u>             | <u>\$ 142,435</u>      | <u>\$ 369,013</u>                          | <u>\$ 2,350,567</u> |
| Business-type Activities  |                                 |                        |  |                     |
|   | State Colleges and Universities | Unemployment Insurance | Nonmajor Enterprise Funds                  | Total               |
| Unemployment Insurance  | \$ -                            | \$ 367,710             | \$ -                                       | \$ 367,710          |
| Tuition and Fees  | 37,334                          | -                      | -  | 37,334              |
| Other   | -                               | -                      | 31,936                                     | 31,936              |
| Net Receivables   | <u>\$ 37,334</u>                | <u>\$ 367,710</u>      | <u>\$ 31,936</u>                           | <u>\$ 436,980</u>   |
| Total Government-wide Net Receivables   |                                 |                        |  | <u>\$ 2,787,547</u> |
| <sup>(1)</sup> Includes \$5,099 Internal Service Funds.                         |                                 |                        |  |                     |

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes \$133,449,000
- Sales and Use Taxes \$24,144,000
- Child Support \$370,119,000
- Other Receivables \$52,178,000

Significant receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes \$104,544,000

- Sales and Use Taxes \$29,670,000
- Child Support \$138,762,000
- Health Care Provider \$71,159,000
- Other Receivables \$20,494,000

#### Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2007, consisted of the following:

| <b>Primary Government<br/>Loans and Notes Receivable<br/>As of June 30, 2007<br/>(In Thousands)</b> |                  |                 |   |                              |  |
|---|------------------|-----------------|---|------------------------------|--|
|   | General<br>Fund  | Federal<br>Fund | Nonmajor<br>Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds | State Colleges<br>and Universities<br>Fund |
| Student Loan Program  | \$ -             | \$ -            | \$ -                                    | \$ -                         | \$ 33,866                                  |
| Economic Development  | 45,406           | -               | 70,255                                  | 4,134                        | -  |
| School Districts  | -                | -               | 117,012                                 | -                            | -  |
| Agricultural  | 75               | -               | 50,103                                  | -                            | -  |
| Transportation  | -                | -               | 19,490                                  | -                            | -  |
| Resources   | -                | -               | 18,575                                  | -                            | -  |
| Other   | -                | 40              | 950                                     | 152                          | -  |
| Total   | <u>\$ 45,481</u> | <u>\$ 40</u>    | <u>\$ 276,385</u>                       | <u>\$ 4,286</u>              | <u>\$ 33,866</u>                           |

| <b>Component Units<br/>Loans and Notes Receivable<br/>As of June 30, 2007<br/>(In Thousands)</b> |                     |
|--|---------------------|
| Housing Finance Authority  | \$ 2,091,381        |
| Metropolitan Council   | 35,983              |
| University of Minnesota  | 71,152              |
| Agricultural and Economic Development Board  | 15,739              |
| Office of Higher Education   | 643,850             |
| Public Facilities Authority  | 1,413,839           |
| Rural Finance Authority  | 53,898              |
| Total  | <u>\$ 4,325,842</u> |

## Note 5 – Interfund Transactions

### Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates.

In the fund financial statements, these transactions are generally recorded as transfers in/transfers out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

| <b>Interfund Receivables and Payables</b>                     |                   |
|---|-------------------|
| <b>As of June 30, 2007 (In Thousands)</b>                     |                   |
| Due to the General Fund From:                                 |                   |
| Federal Fund  | \$ 11,606         |
| Nonmajor Governmental Funds                                   | 35,294            |
| Nonmajor Enterprise Funds                                     | 12,585            |
| Internal Service Funds  | 133               |
| Total Due to General Fund From Other Funds                    | <u>\$ 59,618</u>  |
| Due to the Federal Fund From:                                 |                   |
| Nonmajor Governmental Funds                                   | \$ 3,353          |
| Total Due to Federal Fund From Other Funds                    | <u>\$ 3,353</u>   |
| Due to the State Colleges and Universities Fund From:         |                   |
| Nonmajor Governmental Funds                                   | \$ 30,363         |
| Total Due to State Colleges and Universities From Other Funds | <u>\$ 30,363</u>  |
| Due to Fiduciary Funds From:                                  |                   |
| Fiduciary Funds   | \$ 5,155          |
| Total Due to Fiduciary Funds From Other Fiduciary Funds       | <u>\$ 5,155</u>   |
| Due to the Nonmajor Governmental Funds From:                  |                   |
| General Fund  | \$ 26,953         |
| Federal Fund  | 577               |
| Unemployment Insurance Fund                                   | 50,446            |
| Nonmajor Governmental Funds                                   | 105,811           |
| Nonmajor Enterprise Funds                                     | 3,728             |
| Total Due to Nonmajor Governmental Funds From Other Funds     | <u>\$ 187,515</u> |

The Central Motor Pool Fund had an outstanding advance of \$1,750,000 from the General Fund as of June 30, 2007. This advance is not expected to be repaid within one year.

**Interfund Transfers**  
**Year Ended June 30, 2007**  
**(In Thousands)**

Transfers to the General Fund From:

|  |                   |
|--|-------------------|
| Federal Fund                                     | \$ 19,231         |
| Nonmajor Governmental Funds                      | 398,579           |
| Nonmajor Enterprise Funds                        | 60,919            |
| Internal Service Funds                           | 22,182            |
| Total Transfers to General Fund From Other Funds | <u>\$ 500,911</u> |

Transfers to the Federal Fund From:

|  |                 |
|--|-----------------|
| Unemployment Insurance Fund                      | \$ 1,468        |
| Total Transfers to Federal Fund From Other Funds | <u>\$ 1,468</u> |

Transfers to the State Colleges and Universities Fund From:

|   |                   |
|---|-------------------|
| General Fund  | \$ 602,194        |
| Nonmajor Governmental Funds – Capital Contributions                 | 117,174           |
| Total Transfers to State Colleges and Universities From Other Funds | <u>\$ 719,368</u> |

Transfers to the Internal Service Funds From:

|  |               |
|--|---------------|
| Governmental Capital Assets – Capital Contributions        | \$ 655        |
| Total Transfers to Internal Service Funds From Other Funds | <u>\$ 655</u> |

Transfers to Fiduciary Funds From:

|   |                  |
|---|------------------|
| Fiduciary Funds   | \$ 19,395        |
| Total Transfers to Fiduciary Funds From Other Fiduciary Funds | <u>\$ 19,395</u> |

Transfers to the Nonmajor Governmental Funds From:

|   |                     |
|---|---------------------|
| General Fund  | \$ 669,641          |
| Federal Fund  | 28,915              |
| Unemployment Insurance Fund                                     | 55,783              |
| Nonmajor Governmental Funds                                     | 1,435,912           |
| Nonmajor Enterprise Funds                                       | 94,402              |
| Internal Service Funds  | 8,798               |
| Total Transfers to Nonmajor Governmental Funds From Other Funds | <u>\$ 2,293,451</u> |

Transfers to the Nonmajor Enterprise Funds From:

|   |                 |
|---|-----------------|
| Nonmajor Governmental Funds                                   | \$ 3,782        |
| Total Transfers to Nonmajor Enterprise Funds From Other Funds | <u>\$ 3,782</u> |

## Component Units

Receivables and payables as of June 30, 2007, between the primary government and component units, are summarized as follows:

| <b>Primary Government and Component Units<br/>Receivables and Payables<br/>As of June 30, 2007<br/>(In Thousands)</b>   |  |  |
|---|--|--|
|   | <u>Due From<br/>Primary<br/>Government</u> | <u>Due To<br/>Primary<br/>Government</u> |
| Component Units   |  |  |
| Major Component Units:  |  |  |
| Metropolitan Council  | \$ 56,731                                  | \$ -                                     |
| University of Minnesota   | <u>100,956</u>                             | <u>57,250</u>                            |
| Total Major Component Units   | <u>\$ 157,687</u>                          | <u>\$ 57,250</u>                         |
| Nonmajor Component Units  | <u>\$ 25,970</u>                           | <u>\$ 68,306</u>                         |
| Total Component Units   | <u>\$ 183,657</u>                          | <u>\$ 125,556</u>                        |
|   | <u>Due From<br/>Component<br/>Units</u>    | <u>Due To<br/>Component<br/>Units</u>    |
| Primary Government  |  |  |
| Major Governmental Funds:   |  |  |
| General Fund  | \$ 32                                      | \$ 100,440                               |
| Federal Fund  | <u>-</u>                                   | <u>752</u>                               |
| Total Major Governmental Funds  | <u>\$ 32</u>                               | <u>\$ 101,192</u>                        |
| Nonmajor Governmental Funds   | <u>\$ 120,040</u>                          | <u>\$ 1,463</u>                          |
| Total Primary Government  | <u>\$ 120,072</u>                          | <u>\$ 102,655</u> <sup>(1)</sup>         |
| <sup>(1)</sup> Due to component units on the Government-wide Statement of Net Assets totals \$128,625, including \$25,970 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities. |  |  |

The Due To Primary Government balance exceeds the Due From Component Units balance by \$5,484,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The same is true for the \$81,002,000 difference between the Due From Primary Government balance and the Due To Component Units balance.

## Note 6 – Capital Assets

### Primary Government

| Capital Asset Activity<br>Year Ended June 30, 2007 (In Thousands) |                         |             |              |                          |
|---|-------------------------|-------------|--------------|--------------------------|
|   | Balance<br>July 1, 2006 | Additions   | Deductions   | Balance<br>June 30, 2007 |
| <b>Governmental Activities</b>                                    |                         |             |              |                          |
| Capital Assets not Depreciated:                                   |                         |             |              |                          |
| Land  | \$ 1,680,456            | \$ 132,233  | \$ (5,233)   | \$ 1,807,456             |
| Buildings, Structures, Improvements                               | 27,328                  | 1,647       | -            | 28,975                   |
| Construction in Progress  | 108,217                 | 124,624     | (48,844)     | 183,997                  |
| Infrastructure  | 5,965,253               | 403,537     | (17,540)     | 6,351,250                |
| Art and Historical Treasures                                      | 500                     | -           | -            | 500                      |
| Total Capital Assets not Depreciated                              | \$ 7,781,754            | \$ 662,041  | \$ (71,617)  | \$ 8,372,178             |
| Capital Assets Depreciated:                                       |                         |             |              |                          |
| Buildings, Structures, Improvements                               | \$ 1,871,213            | \$ 80,497   | \$ (26,311)  | \$ 1,925,399             |
| Infrastructure  | 49,250                  | 16,255      | -            | 65,505                   |
| Equipment, Furniture, Fixtures                                    | 388,834                 | 31,238      | (30,071)     | 390,001                  |
| Total Capital Assets Depreciated                                  | \$ 2,309,297            | \$ 127,990  | \$ (56,382)  | \$ 2,380,905             |
| Accumulated Depreciation for:                                     |                         |             |              |                          |
| Buildings, Structures, Improvements                               | \$ (675,644)            | \$ (44,544) | \$ 24,291    | \$ (695,897)             |
| Infrastructure  | (5,990)                 | (7,967)     | -            | (13,957)                 |
| Equipment, Furniture, Fixtures                                    | (238,306)               | (30,835)    | 25,681       | (243,460)                |
| Total Accumulated Depreciation                                    | \$ (919,940)            | \$ (83,346) | \$ 49,972    | \$ (953,314)             |
| Total Capital Assets Depreciated, Net                             | \$ 1,389,357            | \$ 44,644   | \$ (6,410)   | \$ 1,427,591             |
| Governmental Act. Capital Assets, Net                             | \$ 9,171,111            | \$ 706,685  | \$ (78,027)  | \$ 9,799,769             |
| <b>Business-type Activities</b>                                   |                         |             |              |                          |
| Capital Assets not Depreciated:                                   |                         |             |              |                          |
| Land  | \$ 76,365               | \$ 3,123    | \$ -         | \$ 79,488                |
| Construction in Progress  | 104,354                 | 165,916     | (138,079)    | 132,191                  |
| Total Capital Assets not Depreciated                              | \$ 180,719              | \$ 169,039  | \$ (138,079) | \$ 211,679               |
| Capital Assets Depreciated:                                       |                         |             |              |                          |
| Buildings, Structures, Improvements                               | \$ 1,779,350            | \$ 139,065  | \$ (72)      | \$ 1,918,343             |
| Library Collections   | 48,505                  | 7,023       | (7,264)      | 48,264                   |
| Equipment, Furniture, Fixtures                                    | 275,915                 | 22,398      | (15,549)     | 282,764                  |
| Total Capital Assets Depreciated                                  | \$ 2,103,770            | \$ 168,486  | \$ (22,885)  | \$ 2,249,371             |
| Accumulated Depreciation for:                                     |                         |             |              |                          |
| Buildings, Structures, Improvements                               | \$ (874,449)            | \$ (49,131) | \$ -         | \$ (923,580)             |
| Library Collections   | (27,772)                | (6,911)     | 7,264        | (27,419)                 |
| Equipment, Furniture, Fixtures                                    | (196,166)               | (20,236)    | 14,855       | (201,547)                |
| Total Accumulated Depreciation                                    | \$ (1,098,387)          | \$ (76,278) | \$ 22,119    | \$ (1,152,546)           |
| Total Capital Assets Depreciated, Net                             | \$ 1,005,383            | \$ 92,208   | \$ (766)     | \$ 1,096,825             |
| Business-type Act. Capital Assets, Net                            | \$ 1,186,102            | \$ 261,247  | \$ (138,845) | \$ 1,308,504             |
| <b>Fiduciary Funds</b>  |                         |             |              |                          |
| Capital Assets not Depreciated:                                   |                         |             |              |                          |
| Land  | \$ 429                  | \$ -        | \$ -         | \$ 429                   |
| Total Capital Assets not Depreciated                              | \$ 429                  | \$ -        | \$ -         | \$ 429                   |
| Capital Assets Depreciated:                                       |                         |             |              |                          |
| Buildings   | \$ 29,547               | \$ -        | \$ -         | \$ 29,547                |
| Equipment, Furniture, Fixtures                                    | 6,067                   | 375         | (712)        | 5,730                    |
| Total Capital Assets Depreciated                                  | \$ 35,614               | \$ 375      | \$ (712)     | \$ 35,277                |
| Accumulated Depreciation for:                                     |                         |             |              |                          |
| Buildings   | \$ (3,687)              | \$ (739)    | \$ -         | \$ (4,426)               |
| Equipment, Furniture, Fixtures                                    | (4,026)                 | (672)       | 712          | (3,986)                  |
| Total Accumulated Depreciation                                    | \$ (7,713)              | \$ (1,411)  | \$ 712       | \$ (8,412)               |
| Total Capital Assets Depreciated, Net                             | \$ 27,901               | \$ (1,036)  | \$ -         | \$ 26,865                |
| Fiduciary Funds, Capital Assets, Net                              | \$ 28,330               | \$ (1,036)  | \$ -         | \$ 27,294                |



Art and historical treasures are reported as capital assets that are not depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

| <b>Primary Government<br/>Depreciation Expense<br/>Year Ended June 30, 2007<br/>(In Thousands)</b> |                  |
|--|------------------|
| Governmental Activities:   |                  |
| Public Safety and Corrections  | \$ 15,412        |
| Transportation   | 19,067           |
| Agricultural and Environmental Resources   | 6,670            |
| Economic and Workforce Development   | 611              |
| General Education  | 3,129            |
| Higher Education   | 39               |
| Health and Human Services  | 18,024           |
| General Government   | 4,927            |
| Internal Service Funds   | <u>9,486</u>     |
| Total Governmental Activities  | <u>\$ 77,365</u> |
| Business-type Activities:  |                  |
| State Colleges and Universities  | \$ 72,131        |
| Lottery  | 442              |
| Other  | <u>3,705</u>     |
| Total Business-type Activities   | <u>\$ 76,278</u> |

During fiscal year 2007, depreciable infrastructure cost increased by \$13,665,000 and accumulated depreciation by \$5,981,000 as a result of capitalizing infrastructure not previously reported. The net impact on the Statement of Activities was a prior period adjustment of \$7,684,000.

Capital outlay expenditures in the governmental funds totaled \$693,041,000 for fiscal year 2007. Donations of general capital assets received during fiscal year 2007 were valued at \$19,903,000. Transfers were \$50,672,000 primarily from construction in progress. Additions in internal service funds were \$12,720,000, and \$30,000 in the Permanent School Fund.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2007, consisted of equipment with a cost of \$10,299,000 and buildings with a cost of \$180,005,000.

Authorizations and commitments as of June 30, 2007, for the largest construction in progress projects consisted of the following (in thousands):

|                                | Administration<br>Projects | Military<br>Affairs | Transportation | Zoological<br>Board |
|--------------------------------|----------------------------|---------------------|----------------|---------------------|
| Authorization                  | \$ 144,844                 | \$ 20,494           | \$ 22,048      | \$ 35,640           |
| Expended through June 30, 2007 | 123,351                    | 14,010              | 14,392         | 15,839              |
| Unexpended Commitment          | <u>19,466</u>              | <u>1,410</u>        | <u>7,649</u>   | <u>13,060</u>       |
| Available Authorization        | <u>\$ 2,027</u>            | <u>\$ 5,074</u>     | <u>\$ 7</u>    | <u>\$ 6,741</u>     |

Land in the Permanent School Fund totaling 2,521,310 acres was donated by the federal government and valued at the estimated fair value at the time of donation.

### Component Units

Component unit capital assets consisted of the following as of December 31, 2006, or June 30, 2007, as applicable:

| <b>Capital Assets</b><br><b>As of December 31, 2006 or June 30, 2007</b><br><b>(In Thousands)</b> |                              |                         |                                    |                                |                     |
|---|------------------------------|-------------------------|------------------------------------|--------------------------------|---------------------|
|   | Major Component Units        |                         |                                    | Nonmajor<br>Component<br>Units | Totals              |
|   | Housing<br>Finance<br>Agency | Metropolitan<br>Council | University of<br>Minnesota         |                                |                     |
| Land and Improvements   | \$ -                         | \$ 87,157               | \$ 64,028                          | \$ 370                         | \$ 151,555          |
| Construction in Progress  | -                            | 199,335                 | 159,582                            | -                              | 358,917             |
| Museums and Collections   | -                            | -                       | 40,487                             | -                              | 40,487              |
| Buildings and Improvements  | -                            | 2,649,038               | 2,454,244                          | 844                            | 5,104,126           |
| Equipment   | 7,064                        | 553,838                 | 705,929                            | 1,694                          | 1,268,525           |
| Infrastructure  | -                            | -                       | 336,774                            | -                              | 336,774             |
| Total   | <u>\$ 7,064</u>              | <u>\$ 3,489,368</u>     | <u>\$ 3,761,044</u>                | <u>\$ 2,908</u>                | <u>\$ 7,260,384</u> |
| Less: Accumulated Depreciation  | <u>2,679</u>                 | <u>1,162,437</u>        | <u>1,702,596</u>                   | <u>1,934</u>                   | <u>2,869,646</u>    |
| Net Total   | <u>\$ 4,385</u>              | <u>\$ 2,326,931</u>     | <u>\$ 2,058,448</u> <sup>(1)</sup> | <u>\$ 974</u>                  | <u>\$ 4,390,738</u> |

<sup>(1)</sup> In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of \$51,471 as of June 30, 2007.

## Note 7 – Disaggregation of Payables

The following are the components of accounts payable as reported in the government-wide Statement of Net Assets as of June 30, 2007:

| <b>Components of Accounts Payable<br/>As of June 30, 2007<br/>(In Thousands)</b> |                                 |                        |  |                     |
|--|---------------------------------|------------------------|--|---------------------|
|  | Governmental Activities         |                        |  | Total               |
|  | General Fund                    | Federal Fund           | Nonmajor Governmental Funds <sup>(1)</sup> |                     |
| School Aid Programs  | \$ 664,624                      | \$ 132,571             | \$ -                                       | \$ 797,195          |
| Tax Refunds  | 521,861                         | -                      | -  | 521,861             |
| Medical Assistance   | 377,927                         | 401,637                | -  | 779,564             |
| Grants   | 187,065                         | 215,303                | 194,557                                    | 596,925             |
| Salaries and Benefits  | 64,300                          | 8,962                  | 47,227                                     | 120,489             |
| Vendors/Service Providers  | 69,450                          | 39,077                 | 195,205                                    | 303,732             |
| Other  | 34,519                          | 8,579                  | 15,251                                     | 58,349              |
| Net Payables   | <u>\$ 1,919,746</u>             | <u>806,129</u>         | <u>452,240</u>                             | <u>3,178,115</u>    |
|  | Business-type Activities        |                        |  | Total               |
|  | State Colleges and Universities | Unemployment Insurance | Nonmajor Enterprise Funds                  |                     |
| Salaries and Benefits  | \$ 101,617                      | \$ -                   | \$ 6,361                                   | \$ 107,978          |
| Vendors/Service Providers  | 57,075                          | -                      | 3,798                                      | 60,873              |
| Other  | 8,429                           | 26,296                 | 14,541                                     | 49,266              |
| Net Payables   | <u>\$ 167,121</u>               | <u>\$ 26,296</u>       | <u>\$ 24,700</u>                           | <u>\$ 218,117</u>   |
| Total Government-wide Net Payables   |                                 |                        |  | <u>\$ 3,396,232</u> |
| <sup>(1)</sup> Includes \$60,954 Internal Service Funds.                         |                                 |                        |  |                     |

## Note 8 – Pension and Investment Trust Funds

The state performs a fiduciary role for several pension trust funds. For some of these funds, the state contributes as an employer, and for other funds performs only a fiduciary role. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below.

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses.

| <u>Plan Administrator</u>                      | <u>Plans Covered</u>  |
|--|---|
| Minnesota State Retirement System (MSRS)       | State Employees Retirement Fund<br>Correctional Employees Retirement Fund<br>Elective State Officers Fund<br>Judicial Retirement Fund<br>Legislative Retirement Fund<br>State Patrol Retirement Fund<br>Unclassified Employees Retirement Fund<br>Postretirement Health Care Benefits Fund<br>State Deferred Compensation Fund<br>Hennepin County Supplemental Retirement |
| Teachers Retirement Association (TRA)          | Teachers Retirement Fund  |
| Public Employees Retirement Association (PERA) | Public Employees Retirement Fund<br>Police and Fire Fund<br>Public Employees Correctional Fund<br>Defined Contribution Retirement Fund  |

### Basis of Accounting and Valuation of Investments

The three plan administrators prepare financial statements using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which they are earned and become measurable. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Except as described below, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported trade price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing “units” in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund’s pooled investment balance; therefore, the trades

are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2007, this presentation resulted in a negative asset within the funds' investments.

## **Defined Benefit Pension Funds**

### **Plan Descriptions and Contribution Information**

- **Multiple employer, cost-sharing plans:**

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-three employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of a member's average salary, which is defined as the highest salary paid in five successive years of service. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Laws of Minnesota 2006, Chapter 277, Article 3, Section 9, codified as Minnesota Statutes, Section 354.70, authorized the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Fund (TRF). All assets and liabilities for the 13,783 active, inactive, and retired MTRFA members were transferred to TRF as of June 30, 2006. Five hundred seventy three (573) employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the act. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent; and for coordinated members, 1.2 and 1.7 percent for service rendered before July 1, 2006, and 1.4 and 1.9 percent for service rendered on or after July 1, 2006. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions; including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated as defined above. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent; and for coordinated members, 1.2 and 1.7 percent. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. Approximately 500 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Approximately 80 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single employer (state of Minnesota) plans:

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service.

The Elective State Officers Fund (ESOF) covers the state's constitutional officers. Vesting occurs after eight years. Normal retirement age is 62. The annuity is 2.5 percent of average salary for each year of service. The ESOF is excluded from the Single Employers Plan disclosures since the remaining active employees have retired, terminated or elected coverage under another plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C.

The Judicial Retirement Fund (JRF) covers judges of the supreme court, district courts, county courts, probate courts, and various court referees. Normal retirement age is 65. The annuity is 2.7 percent of average salary for each year of service (3.2 percent for each year after June 30, 1980).

The Legislative Retirement Fund (LRF) covers some members of the state's house of representatives and senate. Legislators newly elected since January 1997 are covered by the Unclassified Employee Retirement Fund. Vesting occurs after six years. Normal retirement age is 62. The annuity ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on length of service.

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. Normal retirement age is 55. The annuity is 3.0 percent of average salary for each year of service.

|   | Funding Policy Information |      |       |      |       |                   |      |
|---|----------------------------|------|-------|------|-------|-------------------|------|
|   | Single Employer            |      |       |      |       | Multiple Employer |      |
|   | CERF                       | ESOF | JRF   | LRF  | SPRF  | SERF              | TRF  |
| Statutory Authority,<br>Minnesota Chapter           | 352                        | 352C | 490   | 3A   | 352B  | 352               | 354  |
| Required Contribution Rate of<br>Active Members (%) | 5.69                       | N/A  | 8.15  | 9.00 | 8.40  | 4.00              | 5.00 |
| Required Contribution<br>Rate of Employer (%)       | 7.98                       | N/A  | 20.50 | N/A  | 12.60 | 4.00              | 5.00 |

**Multiple Employer Plan Required Contributions  
(In Thousands)**

|                         |      | <u>SERF</u> | <u>TRF</u> |
|-------------------------|------|-------------|------------|
| Required Contributions: |      |             |            |
| Employee                | 2007 | \$ 89,448   | \$ 199,869 |
|                         | 2006 | \$ 85,379   | \$ 177,085 |
|                         | 2005 | \$ 83,101   | \$ 160,982 |
| Employer <sup>(1)</sup> | 2007 | \$ 86,493   | \$ 187,339 |
|                         | 2006 | \$ 82,645   | \$ 179,022 |
|                         | 2005 | \$ 80,312   | \$ 157,693 |

<sup>(1)</sup>Contributions were at least 100 percent of required contributions.

**Single Employer Plan Disclosures as of June 30, 2007  
(In Thousands)**

|   | <u>CERF</u>             | <u>JRF</u>               | <u>LRF</u>               | <u>SPRF</u>               |
|---|-------------------------|--------------------------|--------------------------|---------------------------|
| Annual Required Contributions (ARC) <sup>(1)</sup>      | \$ 39,147               | \$ 10,496                | \$ 2,954                 | \$ 15,454                 |
| Interest on Net Pension Obligation (NPO) <sup>(1)</sup> | 386                     | (739)                    | (903)                    | (2,922)                   |
| Amortization Adjustment to ARC <sup>(1)</sup>           | <u>(244)</u>            | <u>796</u>               | <u>922</u>               | <u>1,850</u>              |
| Annual Pension Cost                                     | \$ 39,289               | \$ 10,553                | \$ 2,973                 | \$ 14,382                 |
| Contributions   | <u>(23,959)</u>         | <u>(10,364)</u>          | <u>(2,011)</u>           | <u>(12,448)</u>           |
| Increase (Decrease) in NPO                              | <u>\$ 15,330</u>        | <u>\$ 189</u>            | <u>\$ 962</u>            | <u>\$ 1,934</u>           |
| NPO, Beginning Balance (as restated)                    | <u>\$ 4,538</u>         | <u>\$ (8,698)</u>        | <u>\$ (10,627)</u>       | <u>\$ (34,371)</u>        |
| NPO, Ending (Asset)                                     | <u><u>\$ 19,868</u></u> | <u><u>\$ (8,509)</u></u> | <u><u>\$ (9,665)</u></u> | <u><u>\$ (32,437)</u></u> |

<sup>(1)</sup>Components of annual pension cost.

| Single Employer Plan Disclosures<br>(In Thousands) |      |           |            |             |             |
|--|------|-----------|------------|-------------|-------------|
|  |      | CERF      | JRF        | LRF         | SPRF        |
| Annual Pension Cost (APC)                          | 2007 | \$ 39,289 | \$ 10,553  | \$ 2,973    | \$ 14,382   |
|  | 2006 | \$ 25,836 | \$ 9,639   | \$ 3,186    | \$ 9,784    |
|  | 2005 | \$ 24,115 | \$ 10,347  | \$ 3,101    | \$ 8,677    |
| Percentage of APC Contributed                      | 2007 | 61%       | 98%        | 68%         | 87%         |
|  | 2006 | 82%       | 106%       | 187%        | 120%        |
|  | 2005 | 79%       | 96%        | 71%         | 129%        |
| NPO (End of Year)                                  | 2007 | \$ 19,869 | \$ (8,509) | \$ (9,665)  | \$ (32,436) |
|  | 2006 | \$ 4,538  | \$ (8,698) | \$ (10,627) | \$ (34,371) |
|  | 2005 | \$ (182)  | \$ (8,135) | \$ (7,920)  | \$ (32,381) |

#### Actuarial Assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method. The date of actuarial valuation is July 1, 2006.
- The calculation of the actuarial valuation of assets for active employees is the fair market value smoothed over five years. For retired employees, assets are valued at the level of reserves necessary to fully fund the actuarial liability at the time of retirement in accordance with Minnesota Statutes.
- Minnesota Statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Expected investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively, for all plans.
- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6.0 percent is accounted for by 6.0 percent postretirement assumptions for all plans. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent postretirement discount rate is used to account for the one-time adjustment applicable at retirement.
- The level percentage of projected payroll is the amortization method used, except for the ESOF plan, which uses the level dollar amortization method.
- The amortization period for JRF is through July 1, 2020 and for CERF and SPRF is through July 1, 2036.
- The amortization period is closed.



## Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds under which the benefits to be received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial valuation of accrued benefit liability nor any actuarially required contribution.

### Plan Descriptions and Contribution Information

The Unclassified Employee Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state and specified employees of various statutorily designated entities. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 55. Annuity is based on age and value of the participant's account.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses. There is no vesting period required to receive benefits from this plan. DCF covers approximately 1,000 units of government. As of June 30, 2006, there were approximately 6,700 members in the plan.

The Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a postretirement health care savings plan or plans, by which public employers and employees may save to cover postretirement health care costs. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following retirement from public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time by Minnesota State Colleges and Universities for a minimum of two academic years. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and managerial employees, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively, for both member groups. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between \$6,000 and \$15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 14,400.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. As of June 30, 2006, there were approximately 2,300 members in the plan.

**Defined Contribution Plans  
Contributions Made for Fiscal Year 2007  
(In Thousands)**

|                        | <u>UERF</u> | <u>DCF</u> | <u>PHCBF</u> | <u>CURF</u> | <u>HCSRF</u> |
|------------------------|-------------|------------|--------------|-------------|--------------|
| Employee Contributions | \$ 5,476    | \$ 1,254   | \$ 59,515    | \$ 27,295   | \$ 640       |
| Employer Contributions | \$ 6,258    | \$ 1,374   | N/A          | \$ 32,186   | \$ 640       |

The Minnesota State Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457 of the Internal Revenue Code and Minnesota Statutes, Section 352.96. The plan is composed of employee pre-tax contributions. Employers do not contribute to this plan. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The plan has approximately 77,000 participants from approximately 500 employers.

#### **Investment Trust Fund**

The Supplemental Retirement Fund (investment trust fund) is administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). This fund is an investment pool for external participants, which are locally administered retirement funds, and a deferred compensation plan.

#### **Component Units**

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement funds:

- Agricultural and Economic Development Board
- Housing Finance Agency
- Metropolitan Council
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- University of Minnesota

## **Note 9 – Termination and Postretirement Benefits**

### **Primary Government – Termination Benefits**

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Approximately 270 former faculty members currently receive this benefit. The cost of the benefits was \$4,291,000 during fiscal year 2007.

### **Primary Government – Postemployment Benefits Other Than Pensions**

Postemployment benefits other than pensions are available to certain employees of the state, under terms of their employment contract. Through fiscal year 2007, the employees involved were primarily conservation officers, correctional counselors at state correctional facilities, and highway patrol officers. If these employees elect to retire at age 55, the state pays for the employer's share of health insurance benefits until the employees reach age 65. GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", required to be implemented for fiscal year 2008, establishes standards for the measurement, recognition, and display of these postemployment benefits. The state had an actuarial valuation to determine the impact of implementing this standard. Based on this actuarial valuation, the estimated unfunded actuarial accrued liability at the beginning of the year is \$659 million, which will be amortized over a 30-year amortization period. The estimated annual required contribution for the period ended June 30, 2008 is \$66 million.

Pending implementation of Statement No. 45 in fiscal year 2008, the state will continue to recognize the cost of these benefits as eligible employees retire. Approximately 1,000 former employees currently receive this benefit. The cost of the benefits was \$7,716,000 during fiscal year 2007.

See Note 12 – Long-Term Liabilities – Primary Government for the related liability amount accrued at the government-wide level.

### **Component Unit**

Metropolitan Council (MC) provides certain health care, life insurance, and other non-pension benefits for some employees as negotiated in labor contracts. MC paid \$6,960,000 for the year ended December 31, 2006, for health care and life insurance benefits for 1,148 former employees who met specific eligibility requirements. MC also earmarked approximately \$58,022,000 to pay future retiree health care benefits.

## Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction, and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, gas tax and motor vehicle registration revenues, and federal grants. Long-term commitments as of June 30, 2007, were as follows:

| <b>Primary Government<br/>Long-Term Commitments<br/>As of June 30, 2007<br/>(In Thousands)</b> |                     |
|--|---------------------|
| Special Revenue Fund:  |                     |
| Trunk Highway Fund   | \$ 784,875          |
| Capital Projects Funds:  |                     |
| General Projects Fund  | 1,871               |
| Transportation Fund  | 45,865              |
| Building Fund  | 394,997             |
| Enterprise Funds:  |                     |
| State Colleges and Universities  | <u>151,122</u>      |
| Total Primary Government   | <u>\$ 1,378,730</u> |

### Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse petroleum storage tank owners for a significant portion of their costs to investigate or clean up contamination from petroleum tank releases. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). A significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of November 2007, the Petrofund has reimbursed eligible applicants approximately \$385 million since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at as yet undiscovered leak sites. The estimated total payments from the program, which terminates on June 30, 2012, are between \$425 and \$465 million for investigative and cleanup costs.

### Remediation Fund

The landfill investments and investment earnings (part of the Remediation Fund) (special revenue fund) are committed for landfill abatement projects and are not available until after fiscal year 2020.

### Component Units

University of Minnesota (U of M) has construction projects in progress with an estimated cost of \$555.2 million to complete. These costs will be funded from plant fund assets and state appropriations.

U of M owns certain steam production facilities that produce steam for heating and cooling for the Twin Cities campuses. By agreement, these facilities are managed, operated, and maintained by an unaffiliated company. The term of the agreement is five years and commenced on May 17, 2004. Under the agreement, U of M must make minimum fixed payments for certain operating and maintenance costs, as well as contingent payments based on monthly usage.

The minimum fixed amounts of the steam plant required payments as of June 30, 2007, were as follows:

| <b>University of Minnesota<br/>Required Steam Plant Payments<br/>(In Thousands)</b> |                 |
|---|-----------------|
| <b>Fiscal Year<br/>Ending<br/>June 30</b>   | <b>Total</b>    |
| 2008  | \$ 742          |
| 2009  | 650             |
| Total Commitments   | <u>\$ 1,392</u> |

Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2006, unpaid commitments for Metro Transit Bus services were approximately \$45.4 million. Future commitments for Metro Transit Light Rail were approximately \$9.3 million. Future commitments for Regional Transit services were approximately \$108.4 million. Finally, future commitments for Environmental Services were approximately \$48.9 million.

As of June 30, 2007, Public Facilities Authority (PFA) had committed approximately \$127 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$3.7 million for disbursement of non point-source pollution control awards and \$12.1 million for grants.

## Note 11 – Operating Lease Agreements

### Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures for the year ended June 30, 2007, totaled approximately \$71,531,000 and \$17,551,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2006, totaled approximately \$1,400,000 for component units.

| Future Minimum Lease Payments<br>(In Thousands) |                   |  |                 |                  |             |                 |
|---|-------------------|--|-----------------|------------------|-------------|-----------------|
| Primary Government                              |                   |  | Component Units |                  |             |                 |
| Year Ending                                     |                   |  | Year Ending     |                  | Year Ending |                 |
| June 30   | Amount            |  | June 30         | Amount           | December 31 | Amount          |
| 2008  | \$ 66,933         |  | 2008            | \$ 15,673        | 2007        | \$ 742          |
| 2009  | 61,343            |  | 2009            | 11,971           | 2008        | 351             |
| 2010  | 57,904            |  | 2010            | 7,219            | 2009        | 322             |
| 2011  | 53,681            |  | 2011            | 6,317            | 2010        | 230             |
| 2012  | 49,390            |  | 2012            | 5,682            | 2011        | 141             |
| 2013-2017                                       | 152,867           |  | 2013-2017       | 9,989            | 2012-2016   | 354             |
| 2018-2022                                       | 31,186            |  | 2018-2022       | 273              | 2017-2021   | 98              |
| Total   | <u>\$ 473,304</u> |  | Total           | <u>\$ 57,124</u> | Total       | <u>\$ 2,238</u> |

## Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2007, and the changes during fiscal year 2007:

| <b>Long-Term Liabilities</b><br><b>Year Ended June 30, 2007</b><br><b>(In Thousands)</b> |                       |                     |                   |                     |                                   |
|--|-----------------------|---------------------|-------------------|---------------------|-----------------------------------|
|  | Beginning<br>Balances | Increases           | Decreases         | Ending<br>Balances  | Amounts<br>Due Within<br>One Year |
| <b>Governmental Activities</b>   |                       |                     |                   |                     |                                   |
| Liabilities For:   |                       |                     |                   |                     |                                   |
| General Obligation Bonds   | \$ 3,414,239          | \$ 969,350          | \$ 592,095        | \$ 3,791,494        | \$ 359,137                        |
| Bond Premium   | 201,142               | 57,918              | 13,851            | 245,209             | 18,139                            |
| Revenue Bonds  | -                     | 15,145              | -                 | 15,145              | 645                               |
| Loans  | 45,918                | 31,137              | 16,561            | 60,494              | 4,854                             |
| Due to Component Unit  | 29,910                | 3,030               | 6,970             | 25,970              | 3,376                             |
| Claims   | 892,613               | 70,949              | 95,314            | 868,248             | 92,094                            |
| Compensated Absences   | 246,363               | 211,279             | 202,705           | 254,937             | 27,655                            |
| Workers' Compensation  | 109,405               | 14,009              | 15,506            | 107,908             | 14,090                            |
| Capital Leases   | 182,930               | 1,090               | 11,288            | 172,732             | 5,893                             |
| Total  | <u>\$ 5,122,520</u>   | <u>\$ 1,373,907</u> | <u>\$ 954,290</u> | <u>\$ 5,542,137</u> | <u>\$ 525,883</u>                 |
| <b>Business-type Activities</b>  |                       |                     |                   |                     |                                   |
| Liabilities For:   |                       |                     |                   |                     |                                   |
| General Obligation Bonds   | \$ 156,896            | \$ 43,200           | \$ 12,000         | \$ 188,096          | \$ 13,373                         |
| Bond Premium   | 7,735                 | 4,839               | 980               | 11,594              | -                                 |
| Loans  | 5,832                 | 688                 | 1,101             | 5,419               | 995                               |
| Revenue Bonds  | 95,780                | 78,070              | 2,909             | 170,941             | 5,375                             |
| Compensated Absences   | 121,970               | 61,193              | 53,759            | 129,404             | 16,305                            |
| Workers' Compensation  | 5,411                 | 3,007               | 2,563             | 5,855               | 1,756                             |
| Capital Leases   | 26,520                | 1,465               | 2,603             | 25,382              | 2,726                             |
| Total  | <u>\$ 420,144</u>     | <u>\$ 192,462</u>   | <u>\$ 75,915</u>  | <u>\$ 536,691</u>   | <u>\$ 40,530</u>                  |

The resources to repay the various long-term liabilities of the primary government have been, or will be, provided from the fund types as follows:

| <b>Primary Government<br/>Resources for Repayment of Long-Term Liabilities<br/>(In Thousands)</b> |                         |                       |                          |                     |
|---|-------------------------|-----------------------|--------------------------|---------------------|
|   | Governmental Activities |                       |                          | Total               |
|   | General Fund            | Special Revenue Funds | Business-type Activities |                     |
| Liabilities For:  |                         |                       |                          |                     |
| General Obligation Bonds  | \$ 3,044,667            | \$ 746,827            | \$ 188,096               | \$ 3,979,590        |
| Bond Premium  | 245,209                 | -                     | 11,594                   | 256,803             |
| Loans   | -                       | 60,494                | 5,419                    | 65,913              |
| Due to Component Unit   | -                       | 25,970                | -                        | 25,970              |
| Revenue Bonds   | -                       | 15,145                | 170,941                  | 186,086             |
| Claims  | 80,294                  | 787,954               | -                        | 868,248             |
| Compensated Absences  | 120,467                 | 134,470               | 129,404                  | 384,341             |
| Workers' Compensation   | 84,387                  | 23,521                | 5,855                    | 113,763             |
| Capital Leases  | 171,514                 | 1,218                 | 25,382                   | 198,114             |
| Total   | <u>\$ 3,746,538</u>     | <u>\$ 1,795,599</u>   | <u>\$ 536,691</u>        | <u>\$ 6,078,828</u> |

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, due to component unit, and capital leases. There are no payment schedules for claims, compensated absences, or workers' compensation.

| <b>Primary Government<br/>General Obligation Bonds<br/>Principal and Interest Payments<br/>(In Thousands)</b> |                         |                     |                          |                  |                     |                     |
|---|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| Fiscal Year(s)  | Governmental Activities |                     | Business-type Activities |                  | Total               |                     |
|   | Principal               | Interest            | Principal                | Interest         | Principal           | Interest            |
|   |                         | \$                  |                          |                  |                     |                     |
| 2008  | \$ 359,137              | 181,411             | \$ 13,373                | \$ 9,190         | \$ 372,510          | \$ 190,601          |
| 2009  | 317,734                 | 167,696             | 13,391                   | 8,520            | 331,125             | 176,216             |
| 2010  | 304,441                 | 151,953             | 13,414                   | 7,845            | 317,855             | 159,798             |
| 2011  | 284,847                 | 136,937             | 12,918                   | 7,183            | 297,765             | 144,120             |
| 2012  | 281,519                 | 122,685             | 12,946                   | 6,536            | 294,465             | 129,221             |
| 2013-2017   | 1,137,773               | 421,589             | 57,377                   | 23,601           | 1,195,150           | 445,190             |
| 2018-2022   | 774,443                 | 176,378             | 44,622                   | 10,523           | 819,065             | 186,901             |
| 2023-2027   | 331,600                 | 31,733              | 20,055                   | 2,040            | 351,655             | 33,773              |
| Total   | <u>\$ 3,791,494</u>     | <u>\$ 1,390,382</u> | <u>\$ 188,096</u>        | <u>\$ 75,438</u> | <u>\$ 3,979,590</u> | <u>\$ 1,465,820</u> |



**Primary Government  
Revenue Bonds  
Principal and Interest Payments  
(In Thousands)**

| Fiscal<br>Year(s) | Governmental Activities |                 | Business-type Activities |                  | Total             |                  |
|-------------------|-------------------------|-----------------|--------------------------|------------------|-------------------|------------------|
|                   | Principal               | Interest        | Principal                | Interest         | Principal         | Interest         |
| 2008              | \$ 645                  | \$ 639          | \$ 5,375                 | \$ 8,692         | \$ 6,020          | \$ 9,331         |
| 2009              | 785                     | 611             | 6,775                    | 8,122            | 7,560             | 8,733            |
| 2010              | 815                     | 579             | 8,410                    | 7,763            | 9,225             | 8,342            |
| 2011              | 845                     | 546             | 8,740                    | 7,355            | 9,585             | 7,901            |
| 2012              | 880                     | 511             | 9,095                    | 7,391            | 9,975             | 7,902            |
| 2013-2017         | 4,990                   | 1,963           | 48,940                   | 28,032           | 53,930            | 29,995           |
| 2018-2022         | 6,185                   | 721             | 40,195                   | 16,190           | 46,380            | 16,911           |
| 2023-2027         | -                       | -               | 31,205                   | 6,709            | 31,205            | 6,709            |
| 2028-2032         | -                       | -               | 9,920                    | 1,859            | 9,920             | 1,859            |
| 2033-2037         | -                       | -               | 2,286                    | 57               | 2,286             | 57               |
| Total             | <u>\$ 15,145</u>        | <u>\$ 5,570</u> | <u>\$ 170,941</u>        | <u>\$ 92,170</u> | <u>\$ 186,086</u> | <u>\$ 97,740</u> |

**Primary Government  
Loans Payable and Due to Component Unit  
Principal and Interest Payments  
(In Thousands)**

| Fiscal<br>Year(s) | Governmental Activities |                  | Business-type Activities |                 | Total            |                  |
|-------------------|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
|                   | Principal               | Interest         | Principal                | Interest        | Principal        | Interest         |
| 2008              | \$ 8,230                | \$ 1,712         | \$ 995                   | \$ 328          | \$ 9,225         | \$ 2,040         |
| 2009              | 14,860                  | 2,482            | 670                      | 274             | 15,530           | 2,756            |
| 2010              | 21,154                  | 942              | 704                      | 238             | 21,858           | 1,180            |
| 2011              | 13,802                  | 4,985            | 729                      | 200             | 14,531           | 5,185            |
| 2012              | 7,542                   | 372              | 719                      | 161             | 8,261            | 533              |
| 2013-2017         | 19,766                  | 999              | 1,386                    | 255             | 21,152           | 1,254            |
| 2018-2022         | 1,110                   | 75               | 216                      | 11              | 1,326            | 86               |
| Total             | <u>\$ 86,464</u>        | <u>\$ 11,567</u> | <u>\$ 5,419</u>          | <u>\$ 1,467</u> | <u>\$ 91,883</u> | <u>\$ 13,034</u> |

**Primary Government  
Capital Leases  
Principal and Interest Payments  
(In Thousands)**

| Fiscal<br>Year(s) | Governmental Activities |                   | Business-type Activities |                  | Total             |                   |
|-------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
|                   | Principal               | Interest          | Principal                | Interest         | Principal         | Interest          |
| 2008              | \$ 5,893                | \$ 8,332          | \$ 2,726                 | \$ 1,261         | \$ 8,619          | \$ 9,593          |
| 2009              | 5,907                   | 8,145             | 2,388                    | 1,132            | 8,295             | 9,277             |
| 2010              | 6,016                   | 7,933             | 2,221                    | 1,009            | 8,237             | 8,942             |
| 2011              | 6,191                   | 7,697             | 1,661                    | 924              | 7,852             | 8,621             |
| 2012              | 6,250                   | 7,451             | 1,604                    | 578              | 7,854             | 8,029             |
| 2013-2017         | 35,343                  | 32,608            | 6,132                    | 3,155            | 41,475            | 35,763            |
| 2018-2022         | 44,837                  | 22,603            | 6,687                    | 1,744            | 51,524            | 24,347            |
| 2023-2027         | 56,958                  | 10,112            | 922                      | 403              | 57,880            | 10,515            |
| 2028-2032         | 5,337                   | 232               | 1,041                    | 128              | 6,378             | 360               |
| Total             | <u>\$ 172,732</u>       | <u>\$ 105,113</u> | <u>\$ 25,382</u>         | <u>\$ 10,334</u> | <u>\$ 198,114</u> | <u>\$ 115,447</u> |

#### Debt Service Fund

Minnesota Statutes, Section 16A.641, provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

During fiscal year 2007, the Department of Finance made the necessary transfers to the Debt Service Fund as follows:

| <b>Primary Government<br/>Transfers to Debt Service Fund<br/>Year Ended June 30, 2007<br/>(In Thousands)</b> |                   |
|--|-------------------|
| General Fund   | \$ 399,678        |
| Special Revenue Funds:   |                   |
| Game and Fish Fund   | \$ 3              |
| Trunk Highway Fund   | 53,752            |
| Natural Resources Funds  | 10                |
| Maximum Effort School Loan Fund  | 2,264             |
| Miscellaneous Special Revenue Fund   | 370               |
| Total Special Revenue Funds  | \$ 56,399         |
| Capital Projects Funds:  |                   |
| Building Fund  | \$ 37,502         |
| Total Operating Transfers to Debt Service Fund   | <u>\$ 493,579</u> |

#### General Obligation Bond Issues

On August 1, 2006, \$289,450,000 in general obligation state various purpose bonds and \$55,550,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.35 percent and \$3,500,000 in general obligation Rural Finance Authority bonds were issued at a true interest rate of 5.46 percent. On November 1, 2006, \$327,000,000 in general obligation state various purpose bonds and \$73,000,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.11 percent. On April 25, 2007, \$264,050,000 in general obligation advance refunding bonds were issued at a true interest rate of 3.77 percent. During fiscal year 2007, \$604,095,000 in general obligation bond principal was repaid or defeased.

As a result of the advance refunding, the state reduced its total debt service requirements by \$19,102,000, which resulted in an economic gain of \$14,905,000. The balance outstanding for all extinguished debt as of June 30, 2007, was \$273,770,000, which is shown below. The state remains contingently liable to pay the advance refunded general obligation bonds.

| <b>General Obligation Bonds<br/>Outstanding Defeased Debt<br/>(In Thousands)</b> |                  |                 |                                     |                         |
|--|------------------|-----------------|-------------------------------------|-------------------------|
| Refunding Date   | Refunding Amount | Refunded Amount | June 30, 2007<br>Outstanding Amount | Refunded Bond Call Date |
| April 25, 2007   | \$ 97,868        | \$ 101,470      | \$ 101,470                          | August 1, 2008          |
| April 25, 2007   | \$ 78,992        | \$ 81,900       | \$ 81,900                           | June 1, 2009            |
| April 25, 2007   | \$ 87,190        | \$ 90,400       | \$ 90,400                           | November 1, 2009        |

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2007. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

| <b>General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding<br/>As of June 30, 2007<br/>(In Thousands)</b> |                                    |                               |                                     |
|--|------------------------------------|-------------------------------|-------------------------------------|
| <u>Purpose</u>   | <u>Authorized<br/>But Unissued</u> | <u>Amount<br/>Outstanding</u> | <u>Interest Rates<br/>Range - %</u> |
| State Building   | \$ 1,051                           | \$ 444,270                    | 3.00 – 6.00                         |
| State Operated Community Services  | -                                  | 3,151                         | 3.75 – 7.56                         |
| State Transportation   | -                                  | 138,664                       | 3.00 – 6.38                         |
| Waste Management   | -                                  | 2,190                         | 4.00 – 6.00                         |
| Water Pollution Control  | -                                  | 34,570                        | 3.00 – 6.00                         |
| Maximum Effort School Loan   | -                                  | 73,200                        | 4.00 – 6.00                         |
| Reinvest in Minnesota  | -                                  | 60                            | 4.00 – 6.00                         |
| Rural Finance Authority  | -                                  | 66,100                        | 3.50 – 7.05                         |
| Refunding Bonds  | -                                  | 853,612                       | 1.50 – 5.40                         |
| Municipal Energy Building  | -                                  | 875                           | 3.00 – 6.00                         |
| Game and Fish Building   | -                                  | 8                             | 1.50 – 5.00                         |
| Trunk Highway  | 19,975                             | 534,955                       | 1.50 – 5.50                         |
| Airport Facilities   | -                                  | 35,815                        | 5.30 – 7.95                         |
| Landfill   | -                                  | 5,340                         | 4.25 – 6.00                         |
| Various Purpose  | 1,299,690                          | 1,786,780                     | 3.00 – 5.62                         |
| Total  | <u>\$ 1,320,716</u>                | <u>\$ 3,979,590</u>           |                                     |

#### Capital Leases

In 2006, the state entered into capital lease agreements with St Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The state has other capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option and the equipment at any time during the lease period.

#### Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of \$42,618,000 were from local government entities to finance certain trunk highway projects. In addition, \$25,970,000 in loans from the Public Facilities Authority component unit (Due to Component

Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans are primarily loans for the Department of Administration to purchase equipment and college and university building energy efficiency improvements financed by the energy provider.

#### Revenue Bonds Payable

On July 26, 2006, \$15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds, secured by the pledge of appropriations of the annual distribution of taconite production tax revenues of the Iron Range Resources and Rehabilitation Fund and the D. J. Johnson Economic Protection Trust Fund (special revenue funds). The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014 are subject to optional redemption.

The state is authorized by Minnesota Statutes, Section 403.275 and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. Payments of principal and interest will be made from 911 fee revenues of the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$150,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, student union, and food service purposes at state colleges and universities. On February 1, 2007, MnSCU issued revenue bonds in the amount of \$43,070,000 in three series, A, B, and C, of \$33,770,000, \$5,980,000, and \$3,320,000 and terms through April 26, 2026, October 1, 2019, and October 1, 2026, respectively. The Bond series 2007A, 2007B, and 2007C bear interest rates of 4.00% - 4.50%, 3.75% - 4.25%, and 5.25% - 5.75%, respectively. Bond series 2007A, 2007B, and 2007C maturing on and after October 1, 2016, October 1, 2007, and October 1, 2016, respectively, are subject to optional redemption.

On November 1, 2000, \$16,000,000 in state revenue bonds were issued for financing the Giants Ridge recreational area at a true interest rate of 7.48 percent. In addition, \$3,710,000 in bonds were refunded. The entire refunding bonds proceeds of \$3,674,000 from the Iron Range Resources and Rehabilitation Fund (special revenue fund) have been placed in a special escrow account. This amount has been certified as sufficient to pay all principal and interest on the bonds when due. Accordingly, the original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the Giants Ridge Fund. Beginning with fiscal year 2002, Giants Ridge financial activity, including revenue bonds, has been reported in a separate enterprise fund.

| <b>Giants Ridge<br/>Outstanding Defeased Debt<br/>(In Thousands)</b> |                         |                        |   |                                |
|--|-------------------------|------------------------|---|--------------------------------|
| <u>Refunding Date</u>  | <u>Refunding Amount</u> | <u>Refunded Amount</u> | <u>June 30, 2007<br/>Outstanding Amount</u> | <u>Refunded Bond Call Date</u> |
| November 1, 2000   | \$ 3,710                | \$ 3,710               | \$ 2,845                                    | October 1, 2012                |

## Claims

Municipal solid waste landfill liability of \$195,436,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Remediation Fund (special revenue fund) and the General Fund.

Claims of \$51,400,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of \$91,812,000 are for certain employees who qualify for postretirement benefits upon retirement at age 55 under terms of their employment contract. See Note 9 – Postretirement Benefits for the amount paid in fiscal year 2007.

The remaining claim amount of \$529,600,000 is for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00%) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. For 2005 and earlier years, the estimated cost was not discounted. A decrease of \$318,400,000 is attributable to application of the discounting method in fiscal year 2006. Without alteration by settlements, the liability is expected to extend to approximately the year 2050 for supplementary benefits and 2033 for second injuries.

## Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$254,937,000 and \$12,404,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

## Workers' Compensation

The governmental activities and business-type activities liability for workers' compensation of \$107,908,000 and \$5,855,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2007, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

## Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2007, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

## Revenue Bonds Payable – Fiduciary Funds

The following defined benefit funds have the authority to issue, and have issued, revenue bonds, which are not general obligations of the state, but are solely secured by certain pledged assets of the funds. On June 1, 2000, \$29,000,000 of revenue bonds were issued. The pledged assets include certain payments made by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF). Minnesota Statutes, Section 356.89, authorized the issuance of these revenue bonds to finance the construction of an administrative office building. The debt service payments on the revenue bonds will be allocated to each fund based on the percentage interest each fund has in the facility. The repayment schedule for the combined three funds follows:

**Long-Term Debt Repayment Schedule  
Fiduciary Funds  
(In Thousands)**

**Revenue Bonds – SERF, TRF, and PERF**

| <u>Fiscal Year(s)</u> | <u>Principal</u> | <u>Interest</u>  |
|-----------------------|------------------|------------------|
| 2008                  | \$ 575           | \$ 1,509         |
| 2009                  | 600              | 1,478            |
| 2010                  | 625              | 1,446            |
| 2011                  | 675              | 1,413            |
| 2012                  | 700              | 1,376            |
| 2013-2017             | 4,150            | 6,254            |
| 2018-2022             | 5,550            | 4,925            |
| 2023-2027             | 7,475            | 3,086            |
| 2028-2032             | 5,725            | 701              |
| Total                 | <u>\$ 26,075</u> | <u>\$ 22,188</u> |

## **Note 13 – Long-Term Liabilities – Component Units**

### **Revenue and General Obligation Bonds**

#### **Component Units**

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed \$3,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2007, net of unamortized premium, was \$2,398,988,000.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the full faith and credit and taxing powers of MC. MC had \$1,034,273,000 in general obligation bonds outstanding, net of unamortized premium, and \$9,813,000 of revenue bonds outstanding on December 31, 2006.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2007, the principal amount of revenue bonds outstanding was \$154,259,000 and the principal amount of general obligation bonds outstanding was \$375,953,000.

Office of Higher Education (OHE) is authorized by Minnesota Statutes, Sections 136A.171-.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed \$850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2007, the outstanding principal of revenue bonds was \$557,000,000.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed \$1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2007, net of unamortized premium, was \$913,969,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2007, the principal amount of revenue bonds outstanding was \$18,720,000.

| <b>Component Units<br/>General Obligation Bonds<br/>Major Component Units<br/>(In Thousands)</b> |                   |                   |                         |                   |
|--|-------------------|-------------------|-------------------------|-------------------|
| <u>Fiscal Year(s)</u>  | <u>U of M</u>     |                   | <u>MC<sup>(1)</sup></u> |                   |
|  | <u>Principal</u>  | <u>Interest</u>   | <u>Principal</u>        | <u>Interest</u>   |
| 2008   | \$ 113,529        | \$ 31,773         | \$ 87,192               | \$ 36,796         |
| 2009   | 106,879           | 20,207            | 96,499                  | 34,030            |
| 2010   | 33,230            | 11,551            | 70,520                  | 30,711            |
| 2011   | 33,565            | 8,170             | 64,224                  | 27,940            |
| 2012   | 29,450            | 4,762             | 59,898                  | 25,420            |
| 2013-2017  | 10,050            | 12,162            | 284,246                 | 93,090            |
| 2018-2022  | 12,700            | 9,746             | 251,780                 | 43,041            |
| 2023-2027  | 16,150            | 6,671             | 102,070                 | 7,137             |
| 2028-2032  | <u>20,400</u>     | <u>2,777</u>      | <u>-</u>                | <u>-</u>          |
|  | \$ 375,953        | \$ 107,819        | \$ 1,016,429            | \$ 298,165        |
| Unamortized Discounts/Premiums<br>and Issuance Costs   | <u>-</u>          | <u>-</u>          | <u>17,844</u>           | <u>-</u>          |
| Total  | <u>\$ 375,953</u> | <u>\$ 107,819</u> | <u>\$ 1,034,273</u>     | <u>\$ 298,165</u> |
| <sup>(1)</sup> MC fiscal year ends December 31.  |                   |                   |                         |                   |



**Component Units  
Long-Term Debt Repayment Schedule  
Revenue Bonds  
Major Component Units  
(In Thousands)**

| Fiscal Year(s)  | U of M                   |                  | HFA                 |                     | MC <sup>(2)</sup> |                 |
|---|--------------------------|------------------|---------------------|---------------------|-------------------|-----------------|
|   | Principal <sup>(1)</sup> | Interest         | Principal           | Interest            | Principal         | Interest        |
| 2008  | \$ 4,204                 | \$ 7,921         | \$ 525,475          | \$ 103,395          | \$ 890            | \$ 494          |
| 2009  | 5,294                    | 6,835            | 42,805              | 89,236              | 935               | 449             |
| 2010  | 5,524                    | 6,601            | 48,705              | 87,396              | 985               | 402             |
| 2011  | 5,669                    | 6,341            | 46,650              | 85,424              | 1,035             | 351             |
| 2012  | 5,564                    | 6,086            | 48,155              | 83,365              | 1,090             | 298             |
| 2013-2017   | 28,484                   | 26,670           | 269,395             | 380,709             | 4,980             | 563             |
| 2018-2022   | 33,954                   | 19,659           | 282,415             | 315,920             | -                 | -               |
| 2023-2027   | 42,919                   | 10,686           | 337,605             | 242,520             | -                 | -               |
| 2028-2032   | 22,647                   | 1,273            | 404,065             | 149,920             | -                 | -               |
| 2033-2037   | -                        | -                | 347,210             | 53,641              | -                 | -               |
| 2038-2042   | -                        | -                | 36,915              | 3,105               | -                 | -               |
| 2043-2047   | -                        | -                | 3,660               | 459                 | -                 | -               |
| 2048-2053   | -                        | -                | 135                 | 3                   | -                 | -               |
|   | <u>\$ 154,259</u>        | <u>\$ 92,072</u> | <u>\$ 2,393,190</u> | <u>\$ 1,595,093</u> | <u>\$ 9,915</u>   | <u>\$ 2,557</u> |
| Unamortized<br>Discounts/Premiums<br>and Issuance Costs | -                        | -                | 5,798               | -                   | (102)             | -               |
| Total   | <u>\$ 154,259</u>        | <u>\$ 92,072</u> | <u>\$ 2,398,988</u> | <u>\$ 1,595,093</u> | <u>\$ 9,813</u>   | <u>\$ 2,557</u> |

<sup>(1)</sup>Does not include foundation issued bonds.

<sup>(2)</sup>MC fiscal year ends December 31.

**Component Units  
Long-Term Debt Repayment Schedule  
Revenue Bonds Nonmajor Component Units  
(In Thousands)**

| <u>Fiscal Year(s)</u>                                   | OHE               |                   | PFA               |                   | AEDB             |                 |
|---|-------------------|-------------------|-------------------|-------------------|------------------|-----------------|
|   | Principal         | Interest          | Principal         | Interest          | Principal        | Interest        |
| 2008  | \$ -              | \$ 25,450         | \$ 44,505         | \$ 43,415         | \$ 1,810         | \$ 1,097        |
| 2009  | -                 | 25,450            | 49,030            | 41,201            | 1,825            | 998             |
| 2010  | -                 | 25,450            | 48,300            | 38,837            | 1,910            | 891             |
| 2011  | -                 | 25,450            | 53,490            | 36,707            | 1,780            | 779             |
| 2012  | -                 | 25,450            | 55,455            | 34,125            | 1,180            | 689             |
| 2013-2017   | -                 | 127,248           | 303,840           | 127,225           | 6,430            | 2,319           |
| 2018-2022   | 62,240            | 125,832           | 270,320           | 53,686            | 3,785            | 540             |
| 2023-2027   | 126,067           | 105,196           | 64,830            | 5,193             | -                | -               |
| 2028-2032   | 162,833           | 69,644            | -                 | -                 | -                | -               |
| 2033-2037   | 150,593           | 32,240            | -                 | -                 | -                | -               |
| 2038-2041   | 55,267            | 4,622             | -                 | -                 | -                | -               |
|   | <u>\$ 557,000</u> | <u>\$ 592,032</u> | <u>\$ 889,770</u> | <u>\$ 380,389</u> | <u>\$ 18,720</u> | <u>\$ 7,313</u> |
| Unamortized<br>Discounts/Premiums<br>and Issuance Costs | -                 | -                 | 24,199            | -                 | -                | -               |
| Total   | <u>\$ 557,000</u> | <u>\$ 592,032</u> | <u>\$ 913,969</u> | <u>\$ 380,389</u> | <u>\$ 18,720</u> | <u>\$ 7,313</u> |

**Variable Rate Debt**

University of Minnesota

To protect against future interest rate fluctuations on the U of M general obligation bonds and for budgeting purposes, U of M has entered into eight separate interest rate swaps. All of these are pay-fixed and receive variable interest rate swaps, which effectively changes the U of M variable interest rate bonds to synthetic fixed-rate bonds.

## **Office of Higher Education**

The interest rate on the taxable Series 1999A bonds, taxable Series 2002A bonds, tax-exempt Series 2002B bonds, taxable Series 2003A bonds, tax-exempt Series 2003B bonds, taxable Series 2004A bonds, tax-exempt Series 2004B bonds, taxable Series 2005A bonds, tax-exempt Series 2005B bonds, and tax-exempt Series 2006 bonds are reset every 7, 7, 7, 28, 35, 28, 35, 28, 35, and 35 days, respectively, based on a determination by the auction agent through auction proceedings. The rate cannot exceed the lesser of the applicable London InterBank Offered Rate (LIBOR) rate plus 1.00 percent or 17.00 percent. The interest rate as of June 30, 2007, for the Series 1999A bonds was 5.32 percent. The interest rates as of June 30, 2007, for the Series 2002A and 2002B bonds were 5.05 percent and 3.90 percent, respectively. The interest rates as of June 30, 2007, for the Series 2003A and 2003B bonds were 5.24 percent, and 3.90 percent, respectively. The interest rates as of June 30, 2007, for the Series 2004A and 2004B bonds were 5.23 percent and 3.82 percent, respectively. The interest rate as of June 30, 2007, for the Series 2005A and 2005B bonds was 5.28 percent and 3.96 percent, respectively. The interest rate as of June 30, 2007, for the Series 2006 bonds was 3.80 percent.

## **Bond Defeasances**

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was \$271,635,000 with \$179,520,000 outstanding as of June 30, 2007. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M financial statements.

Public Facilities Authority had \$292,380,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2007.

## **Note 14 – Landfill Closure and Postclosure**

Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. There are currently 109 closed sites in the program. Up to three additional sites could enter the program in the near future. The state becomes responsible for the long-term care of these closed municipal solid waste facilities only after certain eligibility requirements are met. The state is responsible, in perpetuity, for performing cleanup and final closure work as well as all maintenance and monitoring functions at these qualifying sites. Funding for the state's perpetual obligation at these landfills comes from the Remediation Fund (special revenue fund) which includes revenues from the Solid Waste Management Tax authorized by Minnesota Statutes, Chapter 297H, insurance recovery proceeds, and financial assurance from previous owners and operators. Additional revenue from the sale of state general obligation bonds is used for design and construction work at the publicly-owned landfills in the program. As of June 30, 2007, cumulative expenditures of about \$271 million have been disbursed by the Remediation and the Building funds. Estimates show that the total of all payments for the program may reach \$596 million. These estimates include costs for planned response actions, costs representing future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Actual costs could become higher because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

## Note 15 – Segment Information

| <b>Primary Government</b><br><b>Segment Information Financial Data</b><br><b>Year Ended June 30, 2007</b><br><b>(In Thousands)</b> |                   |                    |   |                             |                 |                           |
|--|-------------------|--------------------|---|-----------------------------|-----------------|---------------------------|
|  |                   |                    | Minnesota State Colleges and Universities (MnSCU) |                             |                 |                           |
|  | Giants Ridge      | 911 Services       | Revenue Fund                                      | Vermilion<br>Residence Hall | Modular Housing | Itasca<br>Residence Halls |
| <b>Condensed Statement of Net Assets</b>   |                   |                    |   |                             |                 |                           |
| Assets:  |                   |                    |   |                             |                 |                           |
| Current Assets   | \$ 5,435          | \$ 24,833          | \$ 63,652   | \$ 355                      | \$ 27           | \$ 19                     |
| Restricted Assets  | 1,627             | -                  | 106,946   | -                           | 146             | 346                       |
| Capital Assets   | 21,118            | -                  | 128,061   | 1,289                       | 782             | 3,901                     |
| Total Assets   | <u>\$ 28,180</u>  | <u>\$ 24,833</u>   | <u>\$ 298,659</u>                                 | <u>\$ 1,644</u>             | <u>\$ 955</u>   | <u>\$ 4,266</u>           |
| Liabilities:   |                   |                    |   |                             |                 |                           |
| Current Liabilities  | \$ 1,319          | \$ 4,075           | \$ 28,508   | \$ 8                        | \$ 89           | \$ 128                    |
| Noncurrent Liabilities   | 13,159            | 34,637             | 127,813   | -                           | 355             | 2,245                     |
| Total Liabilities  | <u>\$ 14,478</u>  | <u>\$ 38,712</u>   | <u>\$ 156,321</u>                                 | <u>\$ 8</u>                 | <u>\$ 444</u>   | <u>\$ 2,373</u>           |
| Net Assets:  |                   |                    |   |                             |                 |                           |
| Invested in Capital Assets, Net of Related Debt  | \$ 8,872          | \$ -               | \$ 85,557   | \$ 1,289                    | \$ 427          | \$ 1,581                  |
| Restricted   | -                 | -                  | 56,781  | -                           | 74              | 346                       |
| Unrestricted   | 4,830             | (13,879)           | -   | 347                         | 10              | (34)                      |
| Total Net Assets   | <u>\$ 13,702</u>  | <u>\$ (13,879)</u> | <u>\$ 142,338</u>                                 | <u>\$ 1,636</u>             | <u>\$ 511</u>   | <u>\$ 1,893</u>           |
| <b>Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets</b>  |                   |                    |   |                             |                 |                           |
| Operating Revenues - Customer Charges  | \$ 4,047          | \$ 49,527          | \$ 76,856   | \$ 464                      | \$ 227          | \$ 347                    |
| Depreciation Expense   | (1,165)           | -                  | (8,043)   | (66)                        | (31)            | (119)                     |
| Other Operating Expenses   | (5,293)           | (15,052)           | (60,778)  | (252)                       | (114)           | (201)                     |
| Operating Income (Loss)  | <u>\$ (2,411)</u> | <u>\$ 34,475</u>   | <u>\$ 8,035</u>                                   | <u>\$ 146</u>               | <u>\$ 82</u>    | <u>\$ 27</u>              |
| Nonoperating Revenues (Expenses):  |                   |                    |   |                             |                 |                           |
| Interest Income  | \$ 157            | \$ 1,061           | \$ 6,217  | \$ 12                       | \$ 7            | \$ 17                     |
| Interest Expense   | (1,000)           | (939)              | (4,663)   | (11)                        | (27)            | (132)                     |
| Other  | (2)               | (14,978)           | (78)  | -                           | -               | -                         |
| Transfers-In (Out)   | 3,782             | (42,970)           | -   | 15                          | -               | 205                       |
| Change in Net Assets   | <u>\$ 526</u>     | <u>\$ (23,351)</u> | <u>\$ 9,511</u>                                   | <u>\$ 162</u>               | <u>\$ 62</u>    | <u>\$ 117</u>             |
| Beginning Net Assets   | 13,176            | 9,472              | 132,827   | 1,474                       | 449             | 1,776                     |
| Ending Net Assets  | <u>\$ 13,702</u>  | <u>\$ (13,879)</u> | <u>\$ 142,338</u>                                 | <u>\$ 1,636</u>             | <u>\$ 511</u>   | <u>\$ 1,893</u>           |
| <b>Condensed Statement of Cash Flows</b>   |                   |                    |   |                             |                 |                           |
| Net Cash Provided (Used) By:   |                   |                    |   |                             |                 |                           |
| Operating Activities   | \$ (1,267)        | \$ 33,700          | \$ 15,423   | \$ 109                      | \$ 93           | \$ 158                    |
| Noncapital Financing Activities  | 3,782             | (22,651)           | -   | -                           | -               | -                         |
| Capital and Related Financing Activities   | (2,312)           | -                  | 23,744  | (303)                       | (117)           | (60)                      |
| Investing Activities   | 158               | 1,016              | 5,567   | 11                          | 7               | 17                        |
| Net Increase (Decrease)  | <u>\$ 361</u>     | <u>\$ 12,065</u>   | <u>\$ 44,734</u>                                  | <u>\$ (183)</u>             | <u>\$ (17)</u>  | <u>\$ 115</u>             |
| Beginning Cash and Cash Equivalents  | <u>\$ 4,692</u>   | <u>\$ 7,994</u>    | <u>\$ 95,361</u>                                  | <u>\$ 518</u>               | <u>\$ 182</u>   | <u>\$ 233</u>             |
| Ending Cash and Cash Equivalents   | <u>\$ 5,053</u>   | <u>\$ 20,059</u>   | <u>\$ 140,095</u>                                 | <u>\$ 335</u>               | <u>\$ 165</u>   | <u>\$ 348</u>             |

The types of goods or services provided by each segment are as follows:

- Giants Ridge is a four-season recreation facility with golfing, as well as downhill and nordic skiing.
- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.
- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, or food service purposes.
- MnSCU Vermilion segment accounts for the construction and operation of student housing at Vermilion Community College.
- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operations and position.

## Note 16 – Contingent Liabilities

### Primary Government

In addition to the pension trust funds included in the reporting entity (see Note 8 – Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state's contributions to these local funds. Funding is provided in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The pension trust funds involved, the year-end for which the most current data is available, and the unfunded liabilities are described below (in thousands):

| <u>Fund</u>   | <u>Liability As Of</u> | <u>Unfunded Liability</u> |
|---|------------------------|---------------------------|
| Minneapolis Employee Retirement Fund  | June 30, 2007          | \$ 227,139                |
| St. Paul Teachers Retirement Fund   | June 30, 2006          | \$ 419,701                |
| Local Police and Fire Fund <sup>(1)</sup>                                   | December 31, 2006      | \$ 101,927                |
| <sup>(1)</sup> The Local Police and Fire Fund consists of four local plans. |                        |                           |

### Component Units

As part of its operations, Metropolitan Council (MC) enters into contracts for various purposes including construction projects and transit services, among others. The majority of MC's contracts are renegotiated annually with terms generally coinciding with the calendar year. However, some of the contracts span several years. Unpaid commitments for transit services totaled approximately \$45.4 million as of December 31, 2006. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$9.3 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$108.4 million as of December 31, 2006. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund

construction contracts totaled approximately \$48.9 million as December 31, 2006. These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

Since January 18, 2000, MC has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for \$2,696,000, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska, and MC. The city must reimburse MC for any money paid by MC for debt service on the bonds. These bonds have a final maturity on January 1, 2030.

On December 31, 1996, University of Minnesota Hospital and Clinic operations and certain assets and liabilities were transferred to University of Minnesota Medical Center, Fairview (Fairview). Fairview and the University also agreed to affiliate with each other in support of research, education, and patient care missions of the University's Academic Health Center. Under this affiliation agreement, the University shares equally with Fairview in any unfunded education costs at the teaching hospital.

Workers' Compensation Assigned Risk Plan (WCARP) contracts with six servicing contractors to provide policy issuance, premium accounting, and claim settlement services in exchange for a service fee based upon a standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general service agreement.

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts in force at December 31, 2006, was approximately \$3.7 million.

National Sports Center Foundation (NSCF), in connection with the Minnesota Amateur Sports Commission, six municipalities, and other local governmental entities, constructed a four-sheet ice arena and auxiliary facilities (the Super Rink) at the National Sports Center. The Super Rink was financed by state general obligation bonds, state grants, and local government contributions. Bond debt service is provided by operating proceeds of the Super Rink, as well as arena sponsorship and concession revenues. As part of the financing agreement for the Arena, revenues in excess of expenses from the operation of the National Sports Center may be required for debt service on the Super Rink, should operating proceeds from the Super Rink be insufficient to pay such debt service. However, a master agreement and a requirement of the bond documents between the Minnesota Amateur Sports Commission, municipalities, and other local government entities, provide for guaranteed annual rental income that exceeds anticipated debt service costs.

During 2006, the NSCF began construction on a four sheet ice arena expansion to the Super Rink. This expansion is expected to cost \$10,500,000 and is being financed by \$6,600,000 of revenue bonds, in addition to grants and contributions from other parties, and proceeds from the sale of the Columbia Arena. Once construction is complete, the NSCF will be paying approximately \$42,000 per month through 2026 in debt service. In addition to the monthly debt service, the NSCF is required to make monthly payments of \$832 into a reserve account to be used for capital improvements of the Super Rink.

## **Note 17 – Northwest Airlines Maintenance Facilities**

Laws of Minnesota 1991, Chapter 350 authorized the state to issue revenue bonds secured by the state's full faith and credit to finance the construction of an aircraft maintenance facility. In May 1995, the state issued \$47,670,000 of revenue bonds to finance the construction and equipping of an aircraft maintenance facility in Duluth, with Northwest Airlines, Inc. (NWA) as the lessee. The bonds were structured so that the initial bonds, together with expected later refunding bond issuances, would provide financing for the facility over a 30-year period.

NWA used the facility for aircraft maintenance. When NWA's mechanics went on strike in August 2005, the maintenance facility was closed. NWA filed for bankruptcy in September 2005.

In May 2007, the Commissioner of Finance on behalf of the state of Minnesota, the city of Duluth, the Duluth Economic Development Authority, St. Louis County and ALLETE, Inc. entered into a settlement with NWA regarding the maintenance facility.

The agreement provided the state with general unsecured claims in NWA's bankruptcy case that were sold by the state for an amount sufficient to fully redeem the outstanding state bonds. Following NWA's bankruptcy filing, the city of Duluth, St. Louis County and ALLETE made debt service payments on the bonds and under the terms of the settlement, those amounts were also to be repaid from the proceeds on the sale of the claims.

Under the terms of the original financing agreements, NWA had provided certain assets as collateral securing its obligations on the bonds. The terms of the settlement required the state to return the collateral to NWA when the bonds were redeemed.

In July 2007, the state redeemed the remaining outstanding principal balance on the bonds of \$35,815,000 and the city of Duluth and St Louis County were repaid. The state then returned the collateral to NWA.

The Duluth Economic Development Authority owns the maintenance facility debt free and intends to market the property to other potential tenants.

## Note 18 – Equity

### Restricted Net Assets – Government-wide Statement of Net Assts

The following table identifies the primary government's restricted net assets in greater detail than is presented on the face of the financial statements:

| <b>Primary Government Restricted Net Asset Balances</b><br><b>As of June 30, 2007</b><br><b>(In Thousands)</b> |                               |  |                        |                     |
|--|-------------------------------|--|------------------------|---------------------|
|  | Restricted by<br>Constitution | Restricted by<br>Enabling<br>Legislation | Restricted by<br>Other | Total               |
| Restricted For:  |                               |  |                        |                     |
| Debt Service   | \$ 471,990                    | \$ -                                     | \$ -                   | \$ 471,990          |
| Transportation   | 288,723                       | 430,242                                  | -                      | 718,965             |
| Environmental Resources  | -                             | 631,784                                  | 7,328                  | 639,112             |
| Economic and Workforce Development   | -                             | 62,783                                   | 4,830                  | 67,613              |
| School Aid - Nonexpendable   | 721,173                       | -  | -                      | 721,173             |
| School Aid - Expendable  | 15,690                        | 73,885                                   | -                      | 89,575              |
| Health & Human Services  | -                             | -  | 27,942                 | 27,942              |
| Unemployment Benefits  | -                             | -  | 693,189                | 693,189             |
| State Colleges and Universities  | -                             | -  | 318,397                | 318,397             |
| Other Purposes   | -                             | -  | 13,674                 | 13,674              |
| Total Restricted Net Assets  | <u>\$ 1,497,576</u>           | <u>\$ 1,198,694</u>                      | <u>\$ 1,065,360</u>    | <u>\$ 3,761,630</u> |

## Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

| <b>Primary Government Fund Balances</b><br><b>As of June 30, 2007</b><br><b>(In Thousands)</b> |              |          |                          |
|--|--------------|----------|--------------------------|
|  | General      | Federal  | Nonmajor<br>Governmental |
| Fund Balances:   |              |          |                          |
| Reserved for Encumbrances  | \$ 108,754   | \$ -     | \$ 219,348               |
| Reserved for Inventory   | -            | -        | 21,568                   |
| Reserved for Long-Term Receivables   | 47,231       | 40       | 237,544                  |
| Reserved for Long-Term Commitments   | -            | -        | 342,944                  |
| Reserved for Trust Principal   | -            | -        | 1,191,878                |
| Reserved for Other   | -            | 7,288    | -                        |
| Total Reserved Fund Balances   | \$ 155,985   | \$ 7,328 | \$ 2,013,282             |
| Unreserved Fund Balances:  |              |          |                          |
| Designated for Appropriation<br>Carryover  | \$ 38,832    | \$ -     | \$ 160,301               |
| Budgetary Reserve  | 1,085,290    | -        | -                        |
| Designated for Fund Purposes   | -            | -        | 1,699,322                |
| Total Designated Fund Balance  | \$ 1,124,122 | \$ -     | \$ 1,859,623             |
| Undesignated   | -            | -        | 249,236                  |
| Total Unreserved Fund Balance  | \$ 1,124,122 | \$ -     | \$ 2,108,859             |
| Total Fund Balance   | \$ 1,280,107 | \$ 7,328 | \$ 4,122,141             |

### Reserved Fund Balance

Reserved Fund Balance indicates the portion of the fund balance that is not available for appropriation or is legally segregated for a specific future use.

Reserved for Other of \$7,288,000 in the Federal Fund consists of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

### Unreserved Fund Balance

Unreserved Fund Balance consists of: 1) designated fund balances indicating tentative managerial plans for future use of resources, and 2) undesignated fund balances indicating those unreserved financial resources available for appropriation.

Designated for Fund Purposes consists of fund balances for non-appropriated funds to be used for the following purposes:



**Fund Balance Designated for Fund Purposes  
As of June 30, 2007  
(In Thousands)**

|                                    | Special<br>Revenue<br>Funds | Debt Service<br>Fund | Permanent<br>Funds | Total               |
|------------------------------------|-----------------------------|----------------------|--------------------|---------------------|
| Designated For:                    |                             |                      |                    |                     |
| Public Safety and Corrections      | \$ 31,635                   | \$ -                 | \$ -               | \$ 31,635           |
| Transportation                     | 453,563                     | -                    | -                  | 453,563             |
| Environmental Resources            | 162,697                     | -                    | -                  | 162,697             |
| Economic and Workforce Development | 132,272                     | -                    | -                  | 132,272             |
| General Education                  | 7,164                       | -                    | 15,690             | 22,854              |
| Higher Education                   | 2,847                       | -                    | -                  | 2,847               |
| Health & Human Services            | 119,676                     | -                    | -                  | 119,676             |
| General Government                 | 65,388                      | 704,800              | -                  | 770,188             |
| Intergovernmental Aids             | 3,590                       | -                    | -                  | 3,590               |
| Total                              | <u>\$ 978,832</u>           | <u>\$ 704,800</u>    | <u>\$ 15,690</u>   | <u>\$ 1,699,322</u> |

#### Deficit Equity Balances

A \$2,570,000 deficit total fund balance in the Building Fund (capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

A \$13,879,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state's emergency communication system. The deficit will be resolved through future 911 fee revenues.

## Note 19 – Risk Management

### Primary Government

The state is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-insurance mechanisms. All health plans are self-insured.

#### Risk Management Fund

State agencies may elect to participate in the Risk Management Fund, which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All state agencies with vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,500,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach

\$4,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a \$25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of \$300,000 bodily injury and property damage per person, and \$1,000,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides \$10,000,000 excess of the tort cap to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state is not able to self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes, Section 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are self-insured, covered by programs of the Risk Management Fund, or covered by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

#### Tort Claims

Tort claims against the state are limited to \$300,000 bodily injury and property damage per person, and \$1,000,000 bodily injury and property damage per occurrence. State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature.

#### Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation related claims and is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of \$1,600,000. The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. These costs are paid from each agency's operating budget. During fiscal year 2007, the Worker's Compensation Program experienced higher costs due mainly to the increasing cost of medical care. The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits, related to the reported claim.

#### State Employee Group Insurance Program

The Minnesota State Legislature created an employee insurance trust fund administered by the State Employee Group Insurance Program (SEGIP) to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The insurance trust fund is not associated with any other public risk pools. The fund type used to account for SEGIP fiscal activities is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained within the trust fund to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP has not had any settlements in excess of coverage for the past three years.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

#### Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota State Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental benefit coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987 codified as Minnesota Statutes, Section 43A.316. Beginning in fiscal year 1998, medical benefits, provided through PEIP, became a self-insured program.

PEIP's membership as of June 30, 2007, was 1,600 members and their dependents. The members of the pool include 15 school districts, 50 cities/townships, 3 counties, and 17 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for Stop-Loss coverage for claims in excess of \$80,000.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred, but not reported. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits the recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2007, and 2006:

**Self-Insured Claim Liabilities  
As of June 30, 2007 (In Thousands)**

|                                       | Beginning<br>Claims<br>Liability | Net Additions<br>and Changes<br>in Claims | Payment of<br>Claims | Ending<br>Claims<br>Liability |
|---------------------------------------|----------------------------------|---|----------------------|-------------------------------|
| <b>Risk Management Fund</b>           |                                  |   |                      |                               |
| Fiscal Year Ended 6/30/06             | \$ 10,073                        | \$ 3,237                                  | \$ 3,643             | \$ 9,667                      |
| Fiscal Year Ended 6/30/07             | \$ 9,667                         | \$ 3,399                                  | \$ 4,006             | \$ 9,060                      |
| <b>Tort Claims <sup>(1)</sup></b>     |                                  |   |                      |                               |
| Fiscal Year Ended 6/30/06             | \$ -                             | \$ 890                                    | \$ 890               | \$ -                          |
| Fiscal Year Ended 6/30/07             | \$ -                             | \$ 4,132                                  | \$ 4,132             | \$ -                          |
| <b>Workers' Compensation</b>          |                                  |   |                      |                               |
| Fiscal Year Ended 6/30/06             | \$ 116,157                       | \$ 12,694                                 | \$ 14,035            | \$ 114,816                    |
| Fiscal Year Ended 6/30/07             | \$ 114,816                       | \$ 16,695                                 | \$ 17,748            | \$ 113,763                    |
| <b>State Employee Insurance Plans</b> |                                  |   |                      |                               |
| Fiscal Year Ended 6/30/06             | \$ 38,303                        | \$ 427,447                                | \$ 427,818           | \$ 37,932                     |
| Fiscal Year Ended 6/30/07             | \$ 37,932                        | \$ 474,718                                | \$ 472,814           | \$ 39,836                     |

<sup>(1)</sup>The Office of the Attorney General does not recognize liabilities for Tort Claims.  
Claims have never exceeded funding appropriated by the legislature.

**Public Employee Insurance  
Medical  
(In Thousands)**

|  | Year Ended June 30<br>2007 | 2006             |
|--|----------------------------|------------------|
| Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year                 | \$ 1,125                   | \$ 1,695         |
| Incurring Claims and Claim Adjustment Expenses:                                      |                            |                  |
| Provision for Insured Events of Current Year   | 11,206                     | 12,551           |
| Increases (Decreases) in Provision for Insured Events of Prior Years                 | 111                        | (455)            |
| Total Incurred Claims and Claim Adjustment Expenses                                  | <u>\$ 11,317</u>           | <u>\$ 12,096</u> |
| Payments:  |                            |                  |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year | \$ 10,008                  | \$ 11,437        |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years  | 1,224                      | 1,229            |
| Total Payments   | <u>\$ 11,232</u>           | <u>\$ 12,666</u> |
| Total Unpaid Claims and Claim Adjustment Expenses at End of Year                     | <u>\$ 1,210</u>            | <u>\$ 1,125</u>  |

## **Component Units**

### **Metropolitan Council**

Metropolitan Council (MC) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed below. MC has not experienced significant reduction in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

#### **Liability**

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to \$300,000 per claim and \$1,000,000 per occurrence for a claim arising on or after January 1, 2000. For claims arising earlier, the limits are \$300,000 per claim and \$750,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

#### **Workers' Compensation**

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 5.25 percent. The self-insurance retention limit for workers' compensation is \$1,600,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

### **University of Minnesota**

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors and officers liability, and automobile liability through RUMINCO, Ltd., a wholly owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 6 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2005, and 2006 or June 30, 2006, and 2007, as applicable:

|  | <b>Claims Liabilities<br/>(In Thousands)</b> |  |                              |  |
|--|--|--|------------------------------|--|
|  | <u>Beginning<br/>Claims<br/>Liability</u>    | <u>Net Additions<br/>and Changes<br/>in Claims</u> | <u>Payment of<br/>Claims</u> | <u>Ending<br/>Claims<br/>Liability</u> |
| <b>Metropolitan Council</b>                            |  |  |                              |  |
| Fiscal Year Ended 12/31/05                             | \$ 18,509                                    | \$ 5,436   | \$ 6,804                     | \$ 17,141                              |
| Fiscal Year Ended 12/31/06                             | \$ 17,141                                    | \$ 7,950   | \$ 7,759                     | \$ 17,332                              |
| <b>University of Minnesota – RUMINCO, Ltd.</b>         |  |  |                              |  |
| Fiscal Year Ended 6/30/06                              | \$ 6,306                                     | \$ 2,556   | \$ 2,133                     | \$ 6,729                               |
| Fiscal Year Ended 6/30/07                              | \$ 6,729                                     | \$ 1,533   | \$ 1,772                     | \$ 6,490                               |
| <b>University of Minnesota – Workers' Compensation</b> |  |  |                              |  |
| Fiscal Year Ended 6/30/06                              | \$ 9,000                                     | \$ 676   | \$ 2,676                     | \$ 7,000                               |
| Fiscal Year Ended 6/30/07                              | \$ 7,000                                     | \$ 4,595   | \$ 3,642                     | \$ 7,953                               |
| <b>University of Minnesota – Medical/Dental</b>        |  |  |                              |  |
| Fiscal Year Ended 6/30/06                              | \$ 14,453                                    | \$ 166,635   | \$ 165,240                   | \$ 15,848                              |
| Fiscal Year Ended 6/30/07                              | \$ 15,848                                    | \$ 176,792   | \$ 178,887                   | \$ 13,753                              |

## Note 20 – Budgetary Basis vs GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

| <b>Reconciliation of GAAP Basis Fund Balance<br/>to Budgetary Fund Balance<br/>As of June 30, 2007<br/>(In Thousands)</b> |                     |
|---|---------------------|
|   | <u>General Fund</u> |
| GAAP Basis Fund Balance:  | \$ 1,280,107        |
| Less: Reserved Fund Balance   | 155,985             |
| Less: Designated Fund Balance   | 1,124,122           |
| Undesignated Fund Balance   | <u>\$ -</u>         |
| Basis of Accounting Differences:  |                     |
| Revenue Accruals/Adjustments:   |                     |
| Taxes Receivable  | \$ (473,970)        |
| Tax Refunds Payable   | 501,368             |
| Human Services Receivable   | (29,625)            |
| Deferred Revenue  | 25,782              |
| Escheat Asset   | (8,943)             |
| Other Receivables   | (35,277)            |
| Permanent School Fund Reimbursement   | (3,441)             |
| Investments at Market   | (6,691)             |
| Expenditure Accruals/Adjustments:   |                     |
| Medical Assistance  | 384,645             |
| Human Services Grants Payable   | 47,926              |
| Education Aids  | 650,366             |
| Police and Fire Aid   | 83,004              |
| Fund Structure Differences:   |                     |
| Terminally Funded Pension Plans   | 8,172               |
| Perspective Differences:  |                     |
| Reserve for Long-Term Advances  | 1,750               |
| Designated for Appropriation Carryover<br>and Budgetary Reserve   | <u>(27,370)</u>     |
| Budgetary Basis:  |                     |
| Undesignated Fund Balance   | <u>\$ 1,117,696</u> |

## Note 21 – Litigation

- 1) Payment of tort claims against the State is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The tort claims appropriations for the fiscal year ended June 30, 2006, were \$761,000 and for the fiscal year ending June 30, 2007, are also \$761,000. A material number of tort claims arising out of the Interstate 35W bridge collapse for damages are likely. The current maximum limits of liability for tort claims arising in Minnesota are \$300,000 for any one claim and \$1,000,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after January 1, 2008, the maximum limits are \$400,000 for any one claim and \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after January 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.
- 2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the State, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of State moneys of over \$15 million in excess of current levels.
  - a. At any one time, there are hundreds of Department of Transportation eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the State for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the State may impact the State's Trunk Highway Fund.
  - b. *Administrative Services Provided by Public School Personnel - Disallowance of Federal Funding.* On May 11, 2007, the Center for Medicare/Medicaid Services (CMS) notified the Department of Human Services (DHS) that it was disallowing \$9.7 million in federal financial participation for school-based administrative costs in Minnesota from July 10, 2003, through June 30, 2004. The disallowance states that DHS used an improper "Medicaid Eligibility Ratio" in reporting costs. Specifically, CMS states that DHS's ratio improperly included children and adults, instead of children only. DHS believes that its reporting was consistent with a methodology that CMS had approved in the past, and further believes that revising the methodology to eliminate the data for services to adults would increase, rather than decrease, the federal portion. DHS is submitting a letter of appeal to CMS.
  - c. *Great Lakes Gas Transmission LP v. Commissioner of Revenue, Northern Border Pipeline Co. v. Commissioner of Revenue, Viking Gas Transmission Co. v. Commissioner of Revenue* (Ramsey County District Court). Plaintiff pipeline companies transport natural gas under applicable Federal Energy Regulatory Commission (FERC) tariffs and use a portion of the shipped gas to run their compressor engines. Pursuant to provisions contained in Minn. Stat. § 297A.63, subd. 1, Minnesota imposes a use tax upon "the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property purchased for use, storage, distribution, or consumption in this state." Plaintiffs allege that under FERC tariffs they do not "purchase" the gas they use, and are challenging the State's imposition of a use tax upon compressor gas on the grounds that such taxation violates Minn. Stat. § 297A.63, subd. 1 along with the Supremacy, Commerce and Equal Protection Clauses of the United States Constitution. The Department of Revenue estimates the value of these issues at approximately \$20 million annually. This case has been tentatively set for trial in spring 2008.
  - d. *Kracum, et al. v. McCormack, et al.* (U.S. District Court). Plaintiffs' claim on behalf of themselves and other Minnesota residents that defendants, current and former employees of the Minnesota Department of Public Safety (DPS), violated the federal Driver's Privacy Protection Act by causing advertisements to be placed in envelopes containing official licensure correspondence.



Plaintiffs also allege that defendants violated 42 U.S.C. § 1983 by invading plaintiffs' privacy by the same conduct. The case was filed May 1, 2007, and a class has not been certified. The DPS estimates that a decision favorable to plaintiffs would result in damages greater than \$15 million.

- e. *In the Matter of the Commission Inquiry Regarding Potential Proscribed Ex Parte Contact Regarding Commissioner Scott; In the Matter of the Minnesota Department of Commerce Against Qwest Corporation Regarding Unfiled Agreement; In the Matter of the Complaint of A T & T Communications of the Midwest, Inc. against Qwest Corporation* (Minnesota Court of Appeals). The Public Utilities Commission (PUC) required Qwest to pay a penalty of \$25,955,000 for failing to make public and seek PUC approval for interconnection agreements entered into with competitive local exchange carriers in a decision upheld by the U.S. District Court and the Eighth Circuit Court of Appeals. Subsequently, the PUC investigated allegedly improper communications between a former PUC commissioner and a former senior regulatory counsel with A T & T and concluded the penalty determination was reasonable and not the result of undue influence. Qwest appealed. The Court of Appeals affirmed the PUC's determination that the alleged communications did not constitute impermissible ex parte communications as supported by substantial evidence but vacated the penalty and remanded for re-deliberation of the penalty on grounds that record indicates the penalty was at least partially the result of improper influence. Qwest and the PUC have agreed to place the amount of the penalty in a special account in the State Treasury pending further proceeding before the PUC.
- f. *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for \$178,327 and seeks a \$5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of \$15 million. The deadline for submitting motions for summary judgment has been set for November 2007. Trial is currently scheduled for February 2008.
- g. *Medical Assistance Supplemental Payments to Government Owned Nursing Facilities*. The federal Centers for Medicaid and Medicare Services ("CMS") disapproved a Minnesota Medicaid state plan amendment that provides for increased supplemental payments to local government owned nursing homes. In addition, CMS has disallowed and seeks to recover the federal share of the nursing homes' total supplemental payments through a separate administrative proceeding. If CMS is successful in both the disapproval litigation and its disallowance of the supplemental payments, the State would lose federal financial participation of approximately \$11 million per year for FY 2006 and 2007 and \$1.5 million per year for FY 2003, 2004 and 2005. The Department of Human Services (DHS) challenged the disapproval and disallowance. The federal hearing officer in the disapproval litigation issued a decision and order on May 12, 2006, upholding CMS's disapproval of the State plan amendment. On July 10, 2006, the CMS Administrator affirmed the disapproval of the State plan amendment. On July 31, 2007, the Eighth Circuit Court of Appeals denied Minnesota's petition and affirmed the final determination of the Secretary of Health and Human Services disapproving the state plan amendment increasing the county nursing homes' annual supplemental payments and thus reducing federal participation by \$1.5 million per year for FY 2003 thru FY2007. Future federal payments to DHS will be adjusted to reflect this determination. DHS has administratively challenged the disallowance of \$9.5 million -- the federal share of the supplemental payments that are part of Minnesota's approved state medicaid plan for FY 2006 and intends to challenge the disallowance of the \$9.5 million federal share for FY 2007. If CMS is successful and Minnesota loses its appeals, CMS will withhold the disallowed amounts from Minnesota's future medicaid grant.
- h. *Merrill Lynch Pierce Fenner & Smith, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff engages in securities transactions sometimes on a commission basis and sometimes as a principal. Plaintiff's principal contention is that the Department of Revenue erred in using net

rather than gross receipts in the apportionment formula sales factor for principal transactions. Plaintiff also alleges that the Department erred in the method used to “source” receipts from principal and commission transactions involving Minnesota customers and in excluding certain intangibles from the apportionment formula property factor denominator. Finally, Plaintiff alleges, on various grounds, that the Department’s approach violates the Equal Protection, Uniformity and Due Process clauses of the Minnesota or Federal Constitutions and the Commerce Clause of the Federal Constitution. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of \$15 million. Trial is currently scheduled for June 2008.

- i. *Stewart Title Guaranty Company v. Commissioner of Revenue* (Minnesota Tax Court). The Commissioner assessed Plaintiff for additional insurance premium tax and interest. The issue is whether title insurance premium receipts retained by Plaintiff’s agents (rather than transmitted to Plaintiff) are subject to the premium tax. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of \$15 million. Cross-motions for summary judgment were filed in July 2007.
- j. *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* (Federal District Court, No. CV 04-924 JRT/JSM). Plaintiffs, two railroad common carriers, challenge the imposition of Minnesota’s sales and use tax on their purchase and use in Minnesota of diesel fuel for locomotives and off-road vehicles. Plaintiffs allege that the tax is discriminatory under the Railroad Revitalization and Regulatory Reform Act of 1976 (“4 R Act”) because their principal competitors, motor carriers, airlines, and barges, are not taxed under the same regime or pay little or no tax. Plaintiffs are seeking declaratory and injunctive relief prohibiting enforcement and collection of the tax. The Department estimates a determination in plaintiffs’ favor could result in revenue collection losses of \$30 million when applied to plaintiffs and other railroad common carriers operating in Minnesota that paid the fuel tax and have timely filed claims for refunds. On August 22, 2006, the United States District Court filed a decision rejecting plaintiffs’ challenges and upholding enforcement and collection of the tax. On November 6, 2007, the Eighth Circuit Court of Appeals reversed the decision and remanded the case to the District Court to enjoin the Commissioner from continuing to enforce the tax. The Department will file a petition to the Eighth Circuit for rehearing en banc.

## **Note 22 – Subsequent Events**

### **Primary Government**

On August 1, 2007, the I-35W bridge over the Mississippi River in Minneapolis collapsed. The cost of the bridge collapse and related impacts is approximately \$400 million. Mn/DOT has received commitments of \$178.5 million from the Federal Highway Administration (FHWA) Emergency Relief program, which provides for the repair and restoration of highway facilities suffering loss from natural disasters or catastrophic failures. Congress has authorized, but not yet appropriated an additional \$195 million in Emergency Relief funds for the response to this event. Construction of the new bridge, which began in October 2007, is expected to be complete by the end of December 2008.

On September 19, 2007, the Minnesota Department of Transportation (Mn/DOT) awarded a contract in the amount of \$233,763,000 for reconstructing the bridge to a consortium of contractors led by Flatiron Constructors and Manson Construction Company.

On September 12, 2007, a bill resulting from a special session was signed appropriating \$157 million of disaster relief funding for the flooding in the southeastern counties in Minnesota. The primary sources of the funds are \$72 million from the General Fund and \$56 million in general obligation bonds. The funds will be used to help individuals and businesses, and rebuild public infrastructure including roads and bridges.

On August 1, 2007, the state sold \$8,000,000 of general obligation bonds at a true interest rate of 5.14 percent. These bonds will be used to finance the cost of state Rural Finance Authority programs and are backed by the full faith and credit and taxing power of the state.

On August 1, 2007, the state sold \$656,000,000 of general obligation various purpose bonds and \$14,000,000 general obligation state trunk highway bonds at a true interest rate of 4.30 percent.





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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## Required Supplementary Information

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## 2007 Comprehensive Annual Financial Report Required Supplementary Information

### Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 2,900 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

### Lane Miles of Pavement

#### Measurement Scale

The Minnesota Department of Transportation (Mn/DOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking) and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below.

| Description | PQI Range | PSR Range | SR Range  |
|-------------|-----------|-----------|-----------|
| Very Good   | 3.7 - 4.5 | 4.1 - 5.0 | 3.3 - 4.0 |
| Good        | 2.8 - 3.6 | 3.1 - 4.0 | 2.5 - 3.2 |
| Fair        | 1.9 - 2.7 | 2.1 - 3.0 | 1.7 - 2.4 |
| Poor        | 1.0 - 1.8 | 1.1 - 2.0 | 0.9 - 1.6 |
| Very Poor   | 0.0 - 0.9 | 0.0 - 1.0 | 0.0 - 0.8 |

The PQI will be used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

#### Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher and all other pavements will be maintained at 2.8 PQI (good) or higher.

## Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

|      | Principal Arterial<br>Average PQI | Non-Principal Arterial<br>Average PQI |
|------|-----------------------------------|---------------------------------------|
| 2006 | 3.37                              | 3.21                                  |
| 2005 | 3.37                              | 3.22                                  |
| 2004 | 3.30                              | 3.14                                  |

## Bridges and Tunnels

### Measurement Scale

Mn/DOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the 2,924 bridges under Mn/DOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

| <u>Rating</u> | <u>Description</u>  |
|---------------|---|
| 9             | Excellent.  |
| 8             | Very good.  |
| 7             | Good. Some minor problems.  |
| 6             | Satisfactory. Structural elements show some minor deterioration.  |
| 5             | Fair. All primary structural elements are sound but may have some minor section loss, cracking, spalling, or scour.   |
| 4             | Poor. Advanced section loss, deterioration, spalling, or scour.   |
| 3             | Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.   |
| 2             | Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken. |
| 1             | Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.                          |
| 0             | Failure. Out of service, beyond corrective action.  |



The criteria for placing a bridge in each of the three categories are as follows:

Good - If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.

Fair - If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.

Poor - If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

#### Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will be maintained at fair to good.

#### Assessed Conditions

| <u>Principal Arterial</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---------------------------|-------------|-------------|-------------|
| Fair to Good              | 96.8%       | 96.3%       | 96.1%       |

| <u>All Other Systems</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--------------------------|-------------|-------------|-------------|
| Fair to Good             | 95.3%       | 95.2%       | 94.8%       |

#### Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the year ended June 30, 2007 (in thousands):

|        |      | <u>Costs to be Capitalized</u> |                 |                        | <u>Maintenance of System</u> |                 |                        | <u>Total<br/>Construction<br/>Program</u> |
|--------|------|--------------------------------|-----------------|------------------------|------------------------------|-----------------|------------------------|---|
|        |      | <u>Bridges</u>                 | <u>Pavement</u> | <u>Total<br/>Costs</u> | <u>Bridges</u>               | <u>Pavement</u> | <u>Total<br/>Costs</u> |   |
| Budget | 2007 | \$ 148,320                     | \$ 480,900      | \$ 629,220             | \$ 63,835                    | \$ 223,476      | \$ 287,311             | \$ 916,531                                |
| Actual | 2007 | \$ 150,497                     | \$ 253,040      | \$ 403,537             | \$ 15,125                    | \$ 312,567      | \$ 327,692             | \$ 731,229                                |

Due to system limitations, bridge and pavement costs are combined for the years ended June 30, 2006, 2005, 2004, and 2003. The state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" (in thousands):

|        |                     |    | Costs to be<br>Capitalized | Maintenance<br>of System | Total<br>Construction<br>Program |
|--------|---------------------|----|----------------------------|--------------------------|----------------------------------|
| Budget | 2006                | \$ | 773,735                    | \$ 301,852               | \$ 1,075,587                     |
|        | 2005 <sup>(1)</sup> |    | 393,467                    | 200,765                  | 594,232                          |
|        | 2004                |    | 260,900                    | 426,000                  | 686,900                          |
|        | 2003                |    | 719,300                    | 316,400                  | 1,035,700                        |
| Actual | 2006                | \$ | 451,935                    | \$ 360,835               | \$ 812,770                       |
|        | 2005                |    | 465,960                    | 223,809                  | 689,769                          |
|        | 2004                |    | 504,288                    | 227,996                  | 732,284                          |
|        | 2003                |    | 333,605                    | 304,029                  | 637,634                          |

<sup>(1)</sup>Reflects change in budgeting project costs.

Mn/DOT projects may span several years. Project costs through fiscal year 2004 were budgeted in the first year, but spent throughout the life of the project. This process did not allow an accurate comparison of the amounts budgeted and spent within a fiscal year due to funding carryover between two or more fiscal years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past year, the state spending has been in line with the budgeted amounts and other tables contained within this narrative demonstrate that the state has met its desired condition levels.

During fiscal year 2005, the state implemented a new system, Cash Forecasting Information Tool (CFIT), to capture the estimated budget for projects during a specific year. This system allows for a comparison of the annual budget with the actual amounts spent. Comparisons can be made between budget and actual expenditures to maintain and improve the system. For multiyear projects, only the portion to be spent in the fiscal year is shown in the budgeted amount for the year. Future expenditures on the project will be budgeted in the year they are to be spent. This reporting change will be used in future reports.

## Actuarial Measures of Pension Funding Progress

The state of Minnesota is the employer for five defined benefit single employer plans that are administered by Minnesota State Retirement System (MSRS). MSRS prepares and publishes its own stand-alone comprehensive annual financial report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address).

The Elective State Officers Fund (ESOF) is excluded from the single employer plan disclosures since this plan is closed to new entrants and any remaining active employees have retired, terminated, or elected coverage under another plan.

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund LRF)
- State Patrol Retirement Fund (SPRF)

**Required Supplementary Information  
Schedule of Funding Progress  
(In Thousands)**

|   |                     | CERF       | JRF        | LRF       | SPRF        |
|---|---------------------|------------|------------|-----------|-------------|
| Actuarial Valuation Date  | 2006 <sup>(1)</sup> | 7/1/2006   | 7/1/2006   | 7/1/2006  | 7/1/2006    |
|   | 2005                | 7/1/2005   | 7/1/2005   | 7/1/2005  | 7/1/2005    |
|   | 2004                | 7/1/2004   | 7/1/2004   | 7/1/2004  | 7/1/2004    |
| Actuarial Value of Plan Assets                                  | 2006                | \$ 535,357 | \$ 151,850 | \$ 48,504 | \$ 618,990  |
|   | 2005                | \$ 503,573 | \$ 144,465 | \$ 45,523 | \$ 601,220  |
|   | 2004                | \$ 486,617 | \$ 138,948 | \$ 46,155 | \$ 594,785  |
| Actuarial Accrued Liability                                     | 2006                | \$ 647,480 | \$ 202,301 | \$ 81,361 | \$ 641,479  |
|   | 2005                | \$ 546,118 | \$ 191,414 | \$ 81,836 | \$ 566,764  |
|   | 2004                | \$ 524,215 | \$ 190,338 | \$ 83,197 | \$ 545,244  |
| Total Unfunded Actuarial Liability (Asset)                      | 2006                | \$ 112,123 | \$ 50,451  | \$ 32,858 | \$ 22,489   |
|   | 2005                | \$ 42,544  | \$ 46,949  | \$ 36,314 | \$ (34,456) |
|   | 2004                | \$ 37,598  | \$ 51,390  | \$ 37,042 | \$ (49,541) |
| Funded Ratio <sup>(2)</sup>                                     | 2006                | 83%        | 75%        | 60%       | 96%         |
|   | 2005                | 92%        | 75%        | 56%       | 106%        |
|   | 2004                | 93%        | 73%        | 55%       | 109%        |
| Annual Covered Payroll  | 2006                | \$ 145,879 | \$ 36,529  | \$ 2,894  | \$ 57,765   |
|   | 2005                | \$ 132,335 | \$ 35,941  | \$ 3,014  | \$ 55,142   |
|   | 2004                | \$ 133,172 | \$ 34,683  | \$ 3,815  | \$ 51,619   |
| Ratio of Unfunded Actuarial Liability to Annual Covered Payroll | 2006                | 77%        | 138%       | 1135%     | 39%         |
|   | 2005                | 32%        | 131%       | 1204%     | (62%)       |
|   | 2004                | 28%        | 148%       | 971%      | (96%)       |

<sup>(1)</sup>The July 1, 2006, Annual Valuation Report is the most recently issued report available.

<sup>(2)</sup>Actuarial value of assets as a percent of actuarial accrued liability.

## Public Employees Insurance Program Development Information

During fiscal year 1998, the Public Employees Insurance Program's medical claims became a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years.

|  | Fiscal Year Ended (In Thousands) |          |           |           |           |           |           |           |           |           |
|--|----------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 1998                             | 1999     | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |
| 1. Required Contribution and Investment Revenue:                     |                                  |          |           |           |           |           |           |           |           |           |
| Earned   | \$ 2,564                         | \$ 7,713 | \$ 10,995 | \$ 18,005 | \$ 22,149 | \$ 23,458 | \$ 22,764 | \$ 19,177 | \$ 14,942 | \$ 13,219 |
| Ceded  | 195                              | 624      | 1,031     | 1,972     | 2,243     | 2,321     | 2,231     | 1,736     | 1,491     | 1,347     |
| Net Earned   | \$ 2,369                         | \$ 7,089 | \$ 9,964  | \$ 16,033 | \$ 19,906 | \$ 21,137 | \$ 20,533 | \$ 17,441 | \$ 13,451 | \$ 11,872 |
| 2. Unallocated Expenses  | \$ 538                           | \$ 1,458 | \$ 1,983  | \$ 2,535  | \$ 2,715  | \$ 2,528  | \$ 2,296  | \$ 1,904  | \$ 1,638  | \$ 1,547  |
| 3. Estimated Claims and Expenses End of Policy Year:                 |                                  |          |           |           |           |           |           |           |           |           |
| Incurred   | \$ 2,002                         | \$ 5,800 | \$ 9,972  | \$ 16,550 | \$ 21,055 | \$ 19,715 | \$ 19,466 | \$ 16,499 | \$ 12,551 | \$ 11,206 |
| Ceded  | 91                               | 171      | 772       | 760       | 2,513     | 1,570     | 1,980     | 1,913     | 1,382     | 1,782     |
| Net Incurred   | \$ 1,911                         | \$ 5,629 | \$ 9,200  | \$ 15,790 | \$ 18,542 | \$ 18,145 | \$ 17,486 | \$ 14,586 | \$ 11,169 | \$ 9,424  |
| 4. Net Paid (Cumulative) as of:                                      |                                  |          |           |           |           |           |           |           |           |           |
| End of Policy Year   | \$ 1,376                         | \$ 4,678 | \$ 7,944  | \$ 13,228 | \$ 15,824 | \$ 15,848 | \$ 15,699 | \$ 12,909 | \$ 10,055 | \$ 8,226  |
| One Year Later   | 1,849                            | 5,817    | 9,240     | 15,908    | 18,091    | 17,572    | 17,367    | 14,141    | 11,282    |           |
| Two Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    | 17,764    | 14,139    |           |           |
| Three Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    | 17,764    |           |           |           |
| Four Years Later   | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    |           |           |           |           |
| Five Years Later   | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    |           |           |           |           |           |
| Six Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    |           |           |           |           |           |           |
| Seven Years Later  | 1,850                            | 5,818    | 9,243     |           |           |           |           |           |           |           |
| Eight Years Later  | 1,850                            | 5,818    |           |           |           |           |           |           |           |           |
| Nine Years Later   | 1,850                            |          |           |           |           |           |           |           |           |           |
| 5. Re-estimated Ceded Claims and Expenses                            | \$ 91                            | \$ 171   | \$ 772    | \$ 760    | \$ 2,513  | \$ 1,570  | \$ 1,980  | \$ 1,913  | \$ 1,382  | \$ 1,782  |
| 6. Re-estimated Net Incurred Claims and Expenses:                    |                                  |          |           |           |           |           |           |           |           |           |
| End of Policy Year   | \$ 1,911                         | \$ 5,629 | \$ 9,200  | \$ 15,790 | \$ 18,542 | \$ 18,145 | \$ 17,486 | \$ 14,586 | \$ 11,169 | \$ 9,424  |
| One Year Later   | 1,854                            | 5,828    | 9,253     | 15,935    | 18,114    | 17,595    | 17,385    | 14,152    | 11,294    |           |
| Two Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    | 17,764    | 14,139    |           |           |
| Three Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    | 17,764    |           |           |           |
| Four Years Later   | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    | 17,579    |           |           |           |           |
| Five Years Later   | 1,850                            | 5,818    | 9,243     | 15,963    | 18,034    |           |           |           |           |           |
| Six Years Later  | 1,850                            | 5,818    | 9,243     | 15,963    |           |           |           |           |           |           |
| Seven Years Later  | 1,850                            | 5,818    | 9,243     |           |           |           |           |           |           |           |
| Eight Years Later  | 1,850                            | 5,818    |           |           |           |           |           |           |           |           |
| Nine Years Later   | 1,850                            |          |           |           |           |           |           |           |           |           |
| 7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses |                                  |          |           |           |           |           |           |           |           |           |
| From End of Policy Year  | \$ (61)                          | \$ 189   | \$ 43     | \$ 173    | \$ (508)  | \$ (566)  | \$ 278    | \$ (447)  | \$ 125    | \$ -      |

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.





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# Combining and Individual Fund Statements – Nonmajor Funds

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# Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

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## **Debt Service**

### **Debt Service Fund**

The fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

## **Permanent Fund**

### **Permanent School Fund**

The constitutionally established trust fund receives revenue from investments and the sale of state land and timber for distribution to school districts.

# STATE OF MINNESOTA

## NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE COMBINING BALANCE SHEET

JUNE 30, 2007  
(IN THOUSANDS)

|   | SPECIAL<br>REVENUE  | DEBT<br>SERVICE   | PERMANENT<br>PERMANENT<br>SCHOOL | CAPITAL<br>PROJECTS | TOTAL               |
|---|---------------------|-------------------|----------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                               |                     |                   |                                  |                     |                     |
| Cash and Cash Equivalents.....              | \$ 1,817,154        | \$ 564,217        | \$ 67,059                        | \$ 80,947           | \$ 2,529,377        |
| Investments.....                            | 571,960             | 41,532            | 653,074                          | -                   | 1,266,566           |
| Accounts Receivable.....                    | 360,028             | -                 | 3,886                            | -                   | 363,914             |
| Interfund Receivables.....                  | 187,515             | -                 | -                                | -                   | 187,515             |
| Due from Component Units.....               | -                   | 120,040           | -                                | -                   | 120,040             |
| Accrued Investment/Interest Income.....     | 6,006               | 240               | 4,532                            | -                   | 10,778              |
| Federal Aid Receivable.....                 | 70,327              | -                 | -                                | -                   | 70,327              |
| Inventories.....                            | 21,568              | -                 | -                                | -                   | 21,568              |
| Loans and Notes Receivable.....             | 276,385             | -                 | -                                | 4,286               | 280,671             |
| Securities Lending Collateral.....          | 226,188             | 69,643            | 127,929                          | -                   | 423,760             |
| Investment in Land.....                     | -                   | -                 | 15,478                           | -                   | 15,478              |
| Total Assets.....                           | <u>\$ 3,537,131</u> | <u>\$ 795,672</u> | <u>\$ 871,958</u>                | <u>\$ 85,233</u>    | <u>\$ 5,289,994</u> |
| <b>LIABILITIES AND FUND BALANCES</b>        |                     |                   |                                  |                     |                     |
| <b>Liabilities:</b>                         |                     |                   |                                  |                     |                     |
| Accounts Payable.....                       | \$ 354,188          | \$ 1,240          | \$ 17                            | \$ 35,841           | \$ 391,286          |
| Interfund Payables.....                     | 137,178             | 19,989            | 7,149                            | 10,505              | 174,821             |
| Due to Component Units.....                 | 1,463               | -                 | -                                | -                   | 1,463               |
| Deferred Revenue.....                       | 176,523             | -                 | -                                | -                   | 176,523             |
| Securities Lending Liabilities.....         | 226,188             | 69,643            | 127,929                          | -                   | 423,760             |
| Total Liabilities.....                      | <u>\$ 895,540</u>   | <u>\$ 90,872</u>  | <u>\$ 135,095</u>                | <u>\$ 46,346</u>    | <u>\$ 1,167,853</u> |
| <b>Fund Balances:</b>                       |                     |                   |                                  |                     |                     |
| <b>Reserved Fund Balances:</b>              |                     |                   |                                  |                     |                     |
| Reserved for Encumbrances.....              | \$ 192,662          | \$ -              | \$ -                             | \$ 26,686           | \$ 219,348          |
| Reserved for Trust Principal.....           | 470,705             | -                 | 721,173                          | -                   | 1,191,878           |
| Other Reserved Fund Balances.....           | 595,899             | -                 | -                                | 6,157               | 602,056             |
| Total Reserved Fund Balances.....           | <u>\$ 1,259,266</u> | <u>\$ -</u>       | <u>\$ 721,173</u>                | <u>\$ 32,843</u>    | <u>\$ 2,013,282</u> |
| <b>Unreserved Fund Balances:</b>            |                     |                   |                                  |                     |                     |
| Designated for Appropriation Carryover..... | \$ 160,301          | \$ -              | \$ -                             | \$ -                | \$ 160,301          |
| Designated for Special Revenue Funds.....   | 978,832             | -                 | -                                | -                   | 978,832             |
| Designated for Debt Service Fund.....       | -                   | 704,800           | -                                | -                   | 704,800             |
| Designated for Permanent Funds.....         | -                   | -                 | 15,690                           | -                   | 15,690              |
| <b>Undesignated, reported in:</b>           |                     |                   |                                  |                     |                     |
| Capital Project Funds.....                  | -                   | -                 | -                                | 6,044               | 6,044               |
| Special Revenue Funds.....                  | 243,192             | -                 | -                                | -                   | 243,192             |
| Total Unreserved Fund Balances.....         | <u>\$ 1,382,325</u> | <u>\$ 704,800</u> | <u>\$ 15,690</u>                 | <u>\$ 6,044</u>     | <u>\$ 2,108,859</u> |
| Total Fund Balances.....                    | <u>\$ 2,641,591</u> | <u>\$ 704,800</u> | <u>\$ 736,863</u>                | <u>\$ 38,887</u>    | <u>\$ 4,122,141</u> |
| Total Liabilities and Fund Balances.....    | <u>\$ 3,537,131</u> | <u>\$ 795,672</u> | <u>\$ 871,958</u>                | <u>\$ 85,233</u>    | <u>\$ 5,289,994</u> |

# STATE OF MINNESOTA

## NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)

|  | SPECIAL<br>REVENUE | DEBT<br>SERVICE | PERMANENT<br>PERMANENT<br>SCHOOL | CAPITAL<br>PROJECTS | TOTAL        |
|--|--------------------|-----------------|----------------------------------|---------------------|--------------|
| Net Revenues:  |                    |                 |                                  |                     |              |
| Sales Taxes.....                                     | \$ -               | \$ 495          | \$ -                             | \$ -                | \$ 495       |
| Motor Vehicle Taxes.....                             | 657,541            | -               | -                                | -                   | 657,541      |
| Fuel Taxes.....                                      | 648,078            | -               | -                                | -                   | 648,078      |
| Other Taxes.....                                     | 676,965            | -               | -                                | -                   | 676,965      |
| Federal Revenues.....                                | 487,104            | -               | -                                | -                   | 487,104      |
| Licenses and Fees.....                               | 482,724            | -               | -                                | -                   | 482,724      |
| Departmental Services.....                           | 161,097            | -               | 25,321                           | -                   | 186,418      |
| Investment/Interest Income.....                      | 152,270            | 39,991          | 88,173                           | 63                  | 280,497      |
| Penalties and Fines.....                             | 14,757             | -               | 8                                | -                   | 14,765       |
| Securities Lending Income.....                       | 10,076             | 3,376           | 7,040                            | -                   | 20,492       |
| Other Revenues.....                                  | 195,358            | 4,848           | 704                              | -                   | 200,910      |
| Net Revenues.....                                    | \$ 3,485,970       | \$ 48,710       | \$ 121,246                       | \$ 63               | \$ 3,655,989 |
| Expenditures:  |                    |                 |                                  |                     |              |
| Current:   |                    |                 |                                  |                     |              |
| Public Safety and Corrections.....                   | \$ 159,897         | \$ -            | \$ -                             | \$ 3,079            | \$ 162,976   |
| Transportation.....                                  | 1,236,127          | -               | -                                | 75,665              | 1,311,792    |
| Agricultural and Environmental Resources.....        | 333,713            | -               | 7,150                            | 46,773              | 387,636      |
| Economic and Workforce Development.....              | 213,286            | -               | -                                | 75,847              | 289,133      |
| General Education.....                               | 48,514             | -               | 24,593                           | 7,943               | 81,050       |
| Higher Education.....                                | 26,132             | -               | -                                | 112,449             | 138,581      |
| Health and Human Services.....                       | 721,148            | -               | -                                | -                   | 721,148      |
| General Government.....                              | 38,803             | 190             | -                                | 6,608               | 45,601       |
| Intergovernment Aid.....                             | 210                | -               | -                                | -                   | 210          |
| Securities Lending Rebates and Fees.....             | 9,855              | 3,340           | 6,778                            | -                   | 19,973       |
| Total Current Expenditures.....                      | \$ 2,787,685       | \$ 3,530        | \$ 38,521                        | \$ 328,364          | \$ 3,158,100 |
| Capital Outlay.....                                  | 465,418            | -               | -                                | 214,520             | 679,938      |
| Debt Service.....                                    | 17,452             | 518,198         | -                                | -                   | 535,650      |
| Total Expenditures.....                              | \$ 3,270,555       | \$ 521,728      | \$ 38,521                        | \$ 542,884          | \$ 4,373,688 |
| Excess of Revenues Over (Under)<br>Expenditures..... | \$ 215,415         | \$ (473,018)    | \$ 82,725                        | \$ (542,821)        | \$ (717,699) |
| Other Financing Sources (Uses):                      |                    |                 |                                  |                     |              |
| General Obligation Bond Issuance.....                | \$ 8,500           | \$ 12,500       | \$ -                             | \$ 684,300          | \$ 705,300   |
| Revenue Bond Issuance.....                           | 15,145             | -               | -                                | -                   | 15,145       |
| Loan Proceeds.....                                   | 24,610             | -               | -                                | -                   | 24,610       |
| Refunding Bonds Sale.....                            | -                  | 264,050         | -                                | -                   | 264,050      |
| Payment to Refunded Bonds Escrow Agent.....          | -                  | (264,050)       | -                                | -                   | (264,050)    |
| Bond Issue Premium.....                              | -                  | 57,918          | -                                | -                   | 57,918       |
| Transfers-In.....                                    | 1,753,889          | 493,579         | -                                | 45,983              | 2,293,451    |
| Transfers-Out.....                                   | (1,800,766)        | -               | -                                | (154,681)           | (1,955,447)  |
| Capital Leases.....                                  | 310                | -               | -                                | -                   | 310          |
| Net Other Financing Sources (Uses).....              | \$ 1,688           | \$ 563,997      | \$ -                             | \$ 575,602          | \$ 1,141,287 |
| Net Change in Fund Balances.....                     | \$ 217,103         | \$ 90,979       | \$ 82,725                        | \$ 32,781           | \$ 423,588   |
| Fund Balances, Beginning, as Reported.....           | \$ 2,430,092       | \$ 614,960      | \$ 654,138                       | \$ 6,106            | \$ 3,705,296 |
| Change in Fund Structure.....                        | (8,449)            | (1,139)         | -                                | -                   | (9,588)      |
| Fund Balances, Beginning, as Restated.....           | \$ 2,421,643       | \$ 613,821      | \$ 654,138                       | \$ 6,106            | \$ 3,695,708 |
| Change in Inventory.....                             | 2,845              | -               | -                                | -                   | 2,845        |
| Fund Balances, Ending.....                           | \$ 2,641,591       | \$ 704,800      | \$ 736,863                       | \$ 38,887           | \$ 4,122,141 |



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# Nonmajor Special Revenue Funds

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## **Trunk Highway Fund**

The fund is supported by revenues from the Highway User Tax Distribution Fund and federal grants to plan, design, construct, and maintain the state trunk highway system.

## **Highway User Tax Distribution Fund**

The fund receives revenue from taxes on motor vehicles and motor fuels for transfer to various transportation related funds.

## **State Airports Fund**

The fund uses revenue from aviation related taxes and fees to provide technical and financial assistance to municipal airports and to promote aviation safety, planning, and regulation.

## **Municipal State-Aid Street Fund**

The fund receives revenue from the Highway User Tax Distribution Fund primarily for distribution to municipalities for improvement of streets.

## **County State-Aid Highway Fund**

The fund receives revenue from the Highway User Tax Distribution Fund primarily for distribution to counties for improvement of county roads.

## **Petroleum Tank Cleanup Fund**

The fund receives funding from a fee imposed on petroleum distributors to reimburse responsible parties for most of their costs to clean up environmental contamination from petroleum tanks.

## **Minnesota Resources Fund**

The fund was established to receive a portion of cigarette and tobacco taxes, which is appropriated for various natural resource development purposes.

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# Nonmajor Special Revenue Funds – Cont'd.

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## **Natural Resources Fund**

The fund receives taxes from fuel used in recreational vehicles, and fees and donations that are used to fund management of the related natural resource programs.

## **Game and Fish Fund**

The fund receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes.

## **Environment and Natural Resources Fund**

The fund receives the investment earnings and a portion of the net lottery proceeds in accordance with a plan approved by the Legislative Commission on Minnesota Resources.

## **Environmental Fund**

The fund accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems.

## **Remediation Fund**

The fund accounts for activities that respond to and correct releases of hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

## **Iron Range Resources and Rehabilitation Fund**

The fund receives revenues from taconite taxes that are used to promote economic development in northeastern Minnesota.

## **Douglas J. Johnson Economic Protection Trust Fund**

The fund receives distribution from taconite production taxes to be held in trust or expended only in economic emergency for the purposes of rehabilitation and diversification of industry in the area largely dependent on the taconite mining industry.

## **Endowment Fund**

The fund receives gifts, donations, and endowments that may be expended only for those purposes specified by the donors.

## **Maximum Effort School Loan Fund**

The fund receives bond proceeds and reimbursements from school districts to help finance school district construction projects.

## **Special Compensation Fund**

The fund receives assessments on all insurers for administration of the state workers' compensation program, including enforcement, for reimbursement of certain supplemental benefits, and for payment of claims to employees of uninsured and bankrupt firms.

## **Health Care Access Fund**

The fund receives taxes on health service providers and premiums for programs to help contain the costs of health care, make reforms in health insurance, and provide competitively priced insurance for people unable to obtain affordable coverage.

## **Health Impact Fund**

The fund receives revenues from a health impact fee which is imposed on and collected from cigarette and tobacco products distributors.

## **Medical Education and Research Fund**

The fund receives revenues from state and federal government health care assistance programs. These funds are used for medical education activities in the state of Minnesota.

## **Miscellaneous Special Revenue Fund**

The fund includes numerous smaller accounts whose revenues are dedicated to a variety of specific purposes.

# STATE OF MINNESOTA

## NONMAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

JUNE 30, 2007  
(IN THOUSANDS)

|   | TRUNK<br>HIGHWAY  | HIGHWAY<br>USER TAX<br>DISTRIBUTION | STATE<br>AIRPORTS | MUNICIPAL<br>STATE-AID<br>STREET |
|---|-------------------|-------------------------------------|-------------------|----------------------------------|
| <b>ASSETS</b>                               |                   |                                     |                   |                                  |
| Cash and Cash Equivalents.....              | \$ 321,281        | \$ 3,099                            | \$ 18,000         | \$ 107,268                       |
| Investments.....                            | -                 | -                                   | -                 | -                                |
| Accounts Receivable.....                    | 5,975             | 79,589                              | 743               | 668                              |
| Interfund Receivables.....                  | 41,802            | -                                   | -                 | 6,039                            |
| Accrued Investment/Interest Income.....     | -                 | -                                   | -                 | -                                |
| Federal Aid Receivable.....                 | 68,643            | -                                   | -                 | -                                |
| Inventories.....                            | 21,568            | -                                   | -                 | -                                |
| Loans and Notes Receivable.....             | -                 | -                                   | 2,894             | -                                |
| Securities Lending Collateral.....          | 31,610            | 2,659                               | -                 | 10,441                           |
| Total Assets.....                           | <u>\$ 490,879</u> | <u>\$ 85,347</u>                    | <u>\$ 21,637</u>  | <u>\$ 124,416</u>                |
| <b>LIABILITIES AND FUND BALANCES</b>        |                   |                                     |                   |                                  |
| <b>Liabilities:</b>                         |                   |                                     |                   |                                  |
| Accounts Payable.....                       | \$ 104,774        | \$ 310                              | \$ 3,068          | \$ 22,328                        |
| Interfund Payables.....                     | -                 | 77,820                              | -                 | -                                |
| Due to Component Units.....                 | -                 | -                                   | -                 | -                                |
| Deferred Revenue.....                       | 1,017             | 4,014                               | -                 | -                                |
| Securities Lending Liabilities.....         | 31,610            | 2,659                               | -                 | 10,441                           |
| Total Liabilities.....                      | <u>\$ 137,401</u> | <u>\$ 84,803</u>                    | <u>\$ 3,068</u>   | <u>\$ 32,769</u>                 |
| <b>Fund Balances:</b>                       |                   |                                     |                   |                                  |
| <b>Reserved Fund Balances:</b>              |                   |                                     |                   |                                  |
| Reserved for Encumbrances.....              | \$ 43,139         | \$ 544                              | \$ 12,544         | \$ 447                           |
| Reserved for Inventory.....                 | 21,568            | -                                   | -                 | -                                |
| Reserved for Long-Term Receivables.....     | -                 | -                                   | 2,894             | -                                |
| Reserved for Long-Term Commitments.....     | 283,990           | -                                   | -                 | -                                |
| Reserved for Trust Principal.....           | -                 | -                                   | -                 | -                                |
| Total Reserved Fund Balances.....           | <u>\$ 348,697</u> | <u>\$ 544</u>                       | <u>\$ 15,438</u>  | <u>\$ 447</u>                    |
| <b>Unreserved Fund Balances:</b>            |                   |                                     |                   |                                  |
| Designated for Appropriation Carryover..... | \$ 4,781          | \$ -                                | \$ 1,445          | \$ -                             |
| Designated for Fund Purposes.....           | -                 | -                                   | 1,686             | 91,200                           |
| Undesignated.....                           | -                 | -                                   | -                 | -                                |
| Total Unreserved Fund Balances.....         | <u>\$ 4,781</u>   | <u>\$ -</u>                         | <u>\$ 3,131</u>   | <u>\$ 91,200</u>                 |
| Total Fund Balances.....                    | <u>\$ 353,478</u> | <u>\$ 544</u>                       | <u>\$ 18,569</u>  | <u>\$ 91,647</u>                 |
| Total Liabilities and Fund Balances.....    | <u>\$ 490,879</u> | <u>\$ 85,347</u>                    | <u>\$ 21,637</u>  | <u>\$ 124,416</u>                |

| COUNTY<br>STATE-AID<br>HIGHWAY | PETROLEUM<br>TANK<br>CLEANUP | MINNESOTA<br>RESOURCES | NATURAL<br>RESOURCES | GAME AND<br>FISH | ENVIRONMENT<br>AND NATURAL<br>RESOURCES | ENVIRON-<br>MENTAL |
|--------------------------------|------------------------------|------------------------|----------------------|------------------|---|--------------------|
| \$ 366,198                     | \$ 29,991                    | \$ 441                 | \$ 45,070            | \$ 33,740        | \$ 68,741                               | \$ 42,666          |
| -                              | -                            | -                      | -                    | 5,084            | 449,270                                 | -                  |
| 3,132                          | 148                          | -                      | 2,285                | 901              | 8                                       | 12,553             |
| 22,992                         | -                            | -                      | 12,530               | 815              | 2,042                                   | 7,745              |
| -                              | -                            | -                      | -                    | 25               | 2,147                                   | -                  |
| 12                             | -                            | -                      | -                    | 1,672            | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                | -                                       | -                  |
| -                              | 6                            | -                      | -                    | -                | -                                       | 1,412              |
| 35,563                         | 3,117                        | -                      | 2,686                | 4,026            | 62,258                                  | 4,107              |
| <u>\$ 427,897</u>              | <u>\$ 33,262</u>             | <u>\$ 441</u>          | <u>\$ 62,571</u>     | <u>\$ 46,263</u> | <u>\$ 584,466</u>                       | <u>\$ 68,483</u>   |
| \$ 72,308                      | \$ 5,149                     | \$ 60                  | \$ 4,543             | \$ 7,694         | \$ 1,435                                | \$ 3,793           |
| -                              | 387                          | 93                     | -                    | -                | -                                       | 22,875             |
| -                              | -                            | -                      | 469                  | -                | 984                                     | -                  |
| -                              | 147                          | -                      | 3                    | 105              | -                                       | 5,565              |
| 35,563                         | 3,117                        | -                      | 2,686                | 4,026            | 62,258                                  | 4,107              |
| <u>\$ 107,871</u>              | <u>\$ 8,800</u>              | <u>\$ 153</u>          | <u>\$ 7,701</u>      | <u>\$ 11,825</u> | <u>\$ 64,677</u>                        | <u>\$ 36,340</u>   |
| \$ 1,716                       | \$ 7,478                     | \$ 77                  | \$ 7,058             | \$ 8,214         | \$ 8,561                                | \$ 7,383           |
| -                              | -                            | -                      | -                    | -                | -                                       | -                  |
| -                              | 6                            | -                      | -                    | -                | -                                       | 1,412              |
| -                              | -                            | -                      | -                    | -                | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                | 470,705                                 | -                  |
| <u>\$ 1,716</u>                | <u>\$ 7,484</u>              | <u>\$ 77</u>           | <u>\$ 7,058</u>      | <u>\$ 8,214</u>  | <u>\$ 479,266</u>                       | <u>\$ 8,795</u>    |
| \$ -                           | \$ 2,888                     | \$ 211                 | \$ 4,746             | \$ 2,213         | \$ 6,558                                | \$ 2,481           |
| 318,310                        | 14,090                       | -                      | 43,066               | 24,011           | 33,965                                  | 20,867             |
| -                              | -                            | -                      | -                    | -                | -                                       | -                  |
| <u>\$ 318,310</u>              | <u>\$ 16,978</u>             | <u>\$ 211</u>          | <u>\$ 47,812</u>     | <u>\$ 26,224</u> | <u>\$ 40,523</u>                        | <u>\$ 23,348</u>   |
| <u>\$ 320,026</u>              | <u>\$ 24,462</u>             | <u>\$ 288</u>          | <u>\$ 54,870</u>     | <u>\$ 34,438</u> | <u>\$ 519,789</u>                       | <u>\$ 32,143</u>   |
| <u>\$ 427,897</u>              | <u>\$ 33,262</u>             | <u>\$ 441</u>          | <u>\$ 62,571</u>     | <u>\$ 46,263</u> | <u>\$ 584,466</u>                       | <u>\$ 68,483</u>   |

CONTINUED

# STATE OF MINNESOTA

## NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING BALANCE SHEET

JUNE 30, 2007  
(IN THOUSANDS)

|   |                  | IRON RANGE<br>RESOURCES &<br>REHABILITATION | D J JOHNSON<br>ECONOMIC<br>PROTECTION<br>TRUST | ENDOWMENT        |
|---|------------------|---|--|------------------|
| ASSETS                                      | REMEDATION       |   |  |                  |
| Cash and Cash Equivalents.....              | \$ 7,957         | \$ 40,473                                   | \$ 62,649                                      | \$ 11,789        |
| Investments.....                            | 50,150           | -   | 66,317   | 1,139            |
| Accounts Receivable.....                    | 184              | 8,119                                       | 850  | 387              |
| Interfund Receivables.....                  | 23,262           | -   | -  | -                |
| Accrued Investment/Interest Income.....     | 74               | -   | 443  | 5                |
| Federal Aid Receivable.....                 | -                | -   | -  | -                |
| Inventories.....                            | -                | -   | -  | -                |
| Loans and Notes Receivable.....             | -                | 14,428                                      | 31,424   | -                |
| Securities Lending Collateral.....          | 1,588            | 3,950                                       | 18,556   | 155              |
| Total Assets.....                           | <u>\$ 83,215</u> | <u>\$ 66,970</u>                            | <u>\$ 180,239</u>                              | <u>\$ 13,475</u> |
| LIABILITIES AND FUND BALANCES               |                  |   |  |                  |
| Liabilities:                                |                  |   |  |                  |
| Accounts Payable.....                       | \$ 9,810         | \$ 237                                      | \$ 60  | \$ 435           |
| Interfund Payables.....                     | -                | -   | -  | -                |
| Due to Component Units.....                 | -                | -   | -  | -                |
| Deferred Revenue.....                       | -                | 58  | -  | -                |
| Securities Lending Liabilities.....         | 1,588            | 3,950                                       | 18,556   | 155              |
| Total Liabilities.....                      | <u>\$ 11,398</u> | <u>\$ 4,245</u>                             | <u>\$ 18,616</u>                               | <u>\$ 590</u>    |
| Fund Balances:                              |                  |   |  |                  |
| Reserved Fund Balances:                     |                  |   |  |                  |
| Reserved for Encumbrances.....              | \$ 6,815         | \$ 16,785                                   | \$ 17,452                                      | \$ 601           |
| Reserved for Inventory.....                 | -                | -   | -  | -                |
| Reserved for Long-Term Receivables.....     | -                | 14,428                                      | 31,424   | -                |
| Reserved for Long-Term Commitments.....     | 57,083           | -   | -  | -                |
| Reserved for Trust Principal.....           | -                | -   | -  | -                |
| Total Reserved Fund Balances.....           | <u>\$ 63,898</u> | <u>\$ 31,213</u>                            | <u>\$ 48,876</u>                               | <u>\$ 601</u>    |
| Unreserved Fund Balances:                   |                  |   |  |                  |
| Designated for Appropriation Carryover..... | \$ 5,258         | \$ 31,512                                   | \$ 91,717                                      | \$ -             |
| Designated for Fund Purposes.....           | 2,661            | -   | 21,030   | 12,284           |
| Undesignated.....                           | -                | -   | -  | -                |
| Total Unreserved Fund Balances.....         | <u>\$ 7,919</u>  | <u>\$ 31,512</u>                            | <u>\$ 112,747</u>                              | <u>\$ 12,284</u> |
| Total Fund Balances.....                    | <u>\$ 71,817</u> | <u>\$ 62,725</u>                            | <u>\$ 161,623</u>                              | <u>\$ 12,885</u> |
| Total Liabilities and Fund Balances.....    | <u>\$ 83,215</u> | <u>\$ 66,970</u>                            | <u>\$ 180,239</u>                              | <u>\$ 13,475</u> |



| MAXIMUM<br>EFFORT<br>SCHOOL<br>LOAN | SPECIAL<br>COMPENSATION | HEALTH<br>CARE<br>ACCESS | HEALTH<br>IMPACT | MEDICAL<br>EDUCATION<br>AND<br>RESEARCH | MISCELLANEOUS<br>SPECIAL<br>REVENUE | TOTAL               |
|-------------------------------------|-------------------------|--------------------------|------------------|---|-------------------------------------|---------------------|
| \$ 656                              | \$ 38,813               | \$ 172,308               | \$ -             | \$ 38,862                               | \$ 407,152                          | \$ 1,817,154        |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 571,960             |
| -                                   | 104,493                 | 85,884                   | 23,720           | 16                                      | 30,373                              | 360,028             |
| -                                   | -                       | -                        | -                | 5,064                                   | 65,224                              | 187,515             |
| 3,312                               | -                       | -                        | -                | -                                       | -                                   | 6,006               |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 70,327              |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 21,568              |
| 117,012                             | -                       | -                        | -                | -                                       | 109,209                             | 276,385             |
| -                                   | 4,328                   | 27,106                   | -                | -                                       | 14,038                              | 226,188             |
| <u>\$ 120,980</u>                   | <u>\$ 147,634</u>       | <u>\$ 285,298</u>        | <u>\$ 23,720</u> | <u>\$ 43,942</u>                        | <u>\$ 625,996</u>                   | <u>\$ 3,537,131</u> |
| \$ -                                | \$ 7,536                | \$ 39,410                | \$ -             | \$ 235                                  | \$ 71,003                           | \$ 354,188          |
| -                                   | -                       | 3,353                    | 23,720           | -                                       | 8,930                               | 137,178             |
| -                                   | -                       | -                        | -                | 10                                      | -                                   | 1,463               |
| 47,095                              | 103,938                 | 7,324                    | -                | -                                       | 7,257                               | 176,523             |
| -                                   | 4,328                   | 27,106                   | -                | -                                       | 14,038                              | 226,188             |
| <u>\$ 47,095</u>                    | <u>\$ 115,802</u>       | <u>\$ 77,193</u>         | <u>\$ 23,720</u> | <u>\$ 245</u>                           | <u>\$ 101,228</u>                   | <u>\$ 895,540</u>   |
| \$ -                                | \$ 111                  | \$ 3,235                 | \$ -             | \$ 1,642                                | \$ 48,860                           | \$ 192,662          |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 21,568              |
| 73,885                              | -                       | -                        | -                | -                                       | 109,209                             | 233,258             |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 341,073             |
| -                                   | -                       | -                        | -                | -                                       | -                                   | 470,705             |
| <u>\$ 73,885</u>                    | <u>\$ 111</u>           | <u>\$ 3,235</u>          | <u>\$ -</u>      | <u>\$ 1,642</u>                         | <u>\$ 158,069</u>                   | <u>\$ 1,259,266</u> |
| \$ -                                | \$ 2,758                | \$ 3,733                 | \$ -             | \$ -                                    | \$ -                                | \$ 160,301          |
| -                                   | 28,963                  | -                        | -                | -                                       | 366,699                             | 978,832             |
| -                                   | -                       | 201,137                  | -                | 42,055                                  | -                                   | 243,192             |
| <u>\$ -</u>                         | <u>\$ 31,721</u>        | <u>\$ 204,870</u>        | <u>\$ -</u>      | <u>\$ 42,055</u>                        | <u>\$ 366,699</u>                   | <u>\$ 1,382,325</u> |
| <u>\$ 73,885</u>                    | <u>\$ 31,832</u>        | <u>\$ 208,105</u>        | <u>\$ -</u>      | <u>\$ 43,697</u>                        | <u>\$ 524,768</u>                   | <u>\$ 2,641,591</u> |
| <u>\$ 120,980</u>                   | <u>\$ 147,634</u>       | <u>\$ 285,298</u>        | <u>\$ 23,720</u> | <u>\$ 43,942</u>                        | <u>\$ 625,996</u>                   | <u>\$ 3,537,131</u> |

# STATE OF MINNESOTA

## NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | TRUNK<br>HIGHWAY | HIGHWAY<br>USER TAX<br>DISTRIBUTION | STATE<br>AIRPORTS | MUNICIPAL<br>STATE-AID<br>STREET |
|---|------------------|-------------------------------------|-------------------|----------------------------------|
| Net Revenues:                                     |                  |                                     |                   |                                  |
| Motor Vehicle Taxes.....                          | \$ -             | \$ 639,918                          | \$ 13,258         | \$ 905                           |
| Fuel Taxes.....                                   | -                | 644,357                             | 3,721             | -                                |
| Other Taxes.....                                  | -                | -                                   | -                 | -                                |
| Federal Revenues.....                             | 456,621          | -                                   | -                 | 280                              |
| Licenses and Fees.....                            | 6,114            | -                                   | 428               | -                                |
| Departmental Services.....                        | 1,319            | -                                   | -                 | -                                |
| Investment/Interest Income.....                   | 11,507           | 1,954                               | 709               | 5,386                            |
| Penalties and Fines.....                          | -                | 516                                 | -                 | -                                |
| Securities Lending Income.....                    | 1,010            | 155                                 | -                 | 473                              |
| Other Revenues.....                               | 17,259           | 178                                 | 162               | -                                |
| Net Revenues.....                                 | \$ 493,830       | \$ 1,287,078                        | \$ 18,278         | \$ 7,044                         |
| Expenditures:                                     |                  |                                     |                   |                                  |
| Current:  |                  |                                     |                   |                                  |
| Public Safety and Corrections.....                | \$ 73,693        | \$ 7,848                            | \$ -              | \$ -                             |
| Transportation.....                               | 675,929          | 401                                 | 13,968            | 121,013                          |
| Agricultural and Environmental Resources.....     | -                | -                                   | -                 | -                                |
| Economic and Workforce Development.....           | -                | -                                   | -                 | -                                |
| General Education.....                            | -                | -                                   | -                 | -                                |
| Higher Education.....                             | -                | -                                   | -                 | -                                |
| Health and Human Services.....                    | -                | -                                   | -                 | -                                |
| General Government.....                           | 272              | 2,129                               | -                 | -                                |
| Intergovernment Aid.....                          | -                | -                                   | -                 | -                                |
| Securities Lending Rebates and Fees.....          | 999              | 153                                 | -                 | 468                              |
| Total Current Expenditures.....                   | \$ 750,893       | \$ 10,531                           | \$ 13,968         | \$ 121,481                       |
| Capital Outlay.....                               | 448,145          | -                                   | 62                | -                                |
| Debt Service.....                                 | 16,293           | -                                   | -                 | -                                |
| Total Expenditures.....                           | \$ 1,215,331     | \$ 10,531                           | \$ 14,030         | \$ 121,481                       |
| Excess of Revenues Over (Under) Expenditures..... | \$ (721,501)     | \$ 1,276,547                        | \$ 4,248          | \$ (114,437)                     |
| Other Financing Sources (Uses):                   |                  |                                     |                   |                                  |
| General Obligation Bond Issuance.....             | \$ -             | \$ -                                | \$ -              | \$ -                             |
| Revenue Bond Issuance.....                        | -                | -                                   | -                 | -                                |
| Loan Proceeds.....                                | 24,610           | -                                   | -                 | -                                |
| Transfers-In.....                                 | 758,111          | -                                   | -                 | 109,258                          |
| Transfers-Out.....                                | (53,856)         | (1,277,469)                         | -                 | -                                |
| Capital Leases.....                               | -                | -                                   | -                 | -                                |
| Net Other Financing Sources (Uses).....           | \$ 728,865       | \$ (1,277,469)                      | \$ -              | \$ 109,258                       |
| Net Change in Fund Balances.....                  | \$ 7,364         | \$ (922)                            | \$ 4,248          | \$ (5,179)                       |
| Fund Balances, Beginning, as Reported.....        | \$ 343,269       | \$ 1,466                            | \$ 14,321         | \$ 96,826                        |
| Change in Fund Structure.....                     | -                | -                                   | -                 | -                                |
| Fund Balances, Beginning, as Restated.....        | \$ 343,269       | \$ 1,466                            | \$ 14,321         | \$ 96,826                        |
| Change in Inventory.....                          | 2,845            | -                                   | -                 | -                                |
| Fund Balances, Ending.....                        | \$ 353,478       | \$ 544                              | \$ 18,569         | \$ 91,647                        |

| COUNTY<br>STATE-AID<br>HIGHWAY | PETROLEUM<br>TANK<br>CLEANUP | MINNESOTA<br>RESOURCES | NATURAL<br>RESOURCES | GAME AND<br>FISH   | ENVIRONMENT<br>AND NATURAL<br>RESOURCES | ENVIRON-<br>MENTAL |
|--------------------------------|------------------------------|------------------------|----------------------|--------------------|---|--------------------|
| \$ 3,460                       | \$ -                         | \$ -                   | \$ -                 | \$ -               | \$ -                                    | \$ -               |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                  | -                                       | 46,814             |
| 452                            | -                            | -                      | 958                  | 17,810             | -                                       | -                  |
| -                              | 26,731                       | -                      | 18,391               | 56,933             | -                                       | 19,734             |
| -                              | -                            | -                      | 21,466               | 304                | -                                       | -                  |
| 16,813                         | 1,357                        | 50                     | 1,174                | 2,281              | 68,893                                  | 2,208              |
| -                              | 200                          | -                      | 76                   | 295                | -                                       | 646                |
| 1,476                          | 119                          | -                      | 110                  | 173                | 3,351                                   | 192                |
| -                              | -                            | -                      | 1,451                | 334                | 26                                      | 18                 |
| <u>\$ 22,201</u>               | <u>\$ 28,407</u>             | <u>\$ 50</u>           | <u>\$ 43,626</u>     | <u>\$ 78,130</u>   | <u>\$ 72,270</u>                        | <u>\$ 69,612</u>   |
| \$ -                           | \$ -                         | \$ -                   | \$ -                 | \$ -               | \$ -                                    | \$ 49              |
| 407,982                        | -                            | -                      | 4,570                | -                  | 1,000                                   | -                  |
| -                              | 17,009                       | 382                    | 62,255               | 87,104             | 11,614                                  | 56,208             |
| -                              | -                            | -                      | -                    | -                  | 395                                     | -                  |
| -                              | -                            | -                      | 135                  | -                  | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                  | 2,049                                   | -                  |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                  | 430                                     | 363                |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| 1,460                          | 118                          | -                      | 109                  | 172                | 3,223                                   | 190                |
| <u>\$ 409,442</u>              | <u>\$ 17,127</u>             | <u>\$ 382</u>          | <u>\$ 67,069</u>     | <u>\$ 87,276</u>   | <u>\$ 18,711</u>                        | <u>\$ 56,810</u>   |
| -                              | -                            | 689                    | 1,007                | 2,869              | 2,301                                   | 138                |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| <u>\$ 409,442</u>              | <u>\$ 17,127</u>             | <u>\$ 1,071</u>        | <u>\$ 68,076</u>     | <u>\$ 90,145</u>   | <u>\$ 21,012</u>                        | <u>\$ 56,948</u>   |
| <u>\$ (387,241)</u>            | <u>\$ 11,280</u>             | <u>\$ (1,021)</u>      | <u>\$ (24,450)</u>   | <u>\$ (12,015)</u> | <u>\$ 51,258</u>                        | <u>\$ 12,664</u>   |
| \$ -                           | \$ -                         | \$ -                   | \$ -                 | \$ -               | \$ -                                    | \$ -               |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| 410,316                        | 1,622                        | -                      | 28,117               | 11,796             | 29,595                                  | -                  |
| (8,860)                        | (10,429)                     | (90)                   | (14)                 | (3)                | -                                       | (26,304)           |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| <u>\$ 401,456</u>              | <u>\$ (8,807)</u>            | <u>\$ (90)</u>         | <u>\$ 28,103</u>     | <u>\$ 11,793</u>   | <u>\$ 29,595</u>                        | <u>\$ (26,304)</u> |
| <u>\$ 14,215</u>               | <u>\$ 2,473</u>              | <u>\$ (1,111)</u>      | <u>\$ 3,653</u>      | <u>\$ (222)</u>    | <u>\$ 80,853</u>                        | <u>\$ (13,640)</u> |
| <u>\$ 305,811</u>              | <u>\$ 21,989</u>             | <u>\$ 1,399</u>        | <u>\$ 51,217</u>     | <u>\$ 34,660</u>   | <u>\$ 438,936</u>                       | <u>\$ 45,783</u>   |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| <u>\$ 305,811</u>              | <u>\$ 21,989</u>             | <u>\$ 1,399</u>        | <u>\$ 51,217</u>     | <u>\$ 34,660</u>   | <u>\$ 438,936</u>                       | <u>\$ 45,783</u>   |
| -                              | -                            | -                      | -                    | -                  | -                                       | -                  |
| <u>\$ 320,026</u>              | <u>\$ 24,462</u>             | <u>\$ 288</u>          | <u>\$ 54,870</u>     | <u>\$ 34,438</u>   | <u>\$ 519,789</u>                       | <u>\$ 32,143</u>   |

CONTINUED

# STATE OF MINNESOTA

## NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | REMEDICATION            | IRON RANGE<br>RESOURCES &<br>REHABILITATION | D J JOHNSON<br>ECONOMIC<br>PROTECTION<br>TRUST | ENDOWMENT               |
|---|-------------------------|---|--|-------------------------|
| Net Revenues:                                     |                         |   |  |                         |
| Motor Vehicle Taxes.....                          | \$ -                    | \$ -  | \$ -   | \$ -                    |
| Fuel Taxes.....                                   | -                       | -   | -  | -                       |
| Other Taxes.....                                  | 795                     | 22,851                                      | 4,272  | -                       |
| Federal Revenues.....                             | -                       | -   | -  | -                       |
| Licenses and Fees.....                            | 588                     | -   | -  | -                       |
| Departmental Services.....                        | 151                     | 123   | 131  | -                       |
| Investment/Interest Income.....                   | 10,643                  | 2,694                                       | 3,225  | 548                     |
| Penalties and Fines.....                          | 718                     | -   | -  | -                       |
| Securities Lending Income.....                    | 72                      | 186   | 953  | 8                       |
| Other Revenues.....                               | 5,180                   | 39  | 5  | 8,527                   |
| Net Revenues.....                                 | <u>\$ 18,147</u>        | <u>\$ 25,893</u>                            | <u>\$ 8,586</u>                                | <u>\$ 9,083</u>         |
| Expenditures:                                     |                         |   |  |                         |
| Current:  |                         |   |  |                         |
| Public Safety and Corrections.....                | \$ -                    | \$ -  | \$ -   | \$ 25                   |
| Transportation.....                               | -                       | -   | -  | -                       |
| Agricultural and Environmental Resources.....     | 45,572                  | -   | -  | 2,870                   |
| Economic and Workforce Development.....           | 734                     | 26,759                                      | 4,732  | 304                     |
| General Education.....                            | -                       | 15,000                                      | -  | 1,546                   |
| Higher Education.....                             | -                       | -   | -  | -                       |
| Health and Human Services.....                    | 230                     | -   | -  | 733                     |
| General Government.....                           | 4,124                   | -   | -  | 523                     |
| Intergovernment Aid.....                          | -                       | -   | -  | -                       |
| Securities Lending Rebates and Fees.....          | 68                      | 184   | 925  | 8                       |
| Total Current Expenditures.....                   | <u>\$ 50,728</u>        | <u>\$ 41,943</u>                            | <u>\$ 5,657</u>                                | <u>\$ 6,009</u>         |
| Capital Outlay.....                               | 1,229                   | 618   | -  | 4,220                   |
| Debt Service.....                                 | -                       | 307   | 222  | -                       |
| Total Expenditures.....                           | <u>\$ 51,957</u>        | <u>\$ 42,868</u>                            | <u>\$ 5,879</u>                                | <u>\$ 10,229</u>        |
| Excess of Revenues Over (Under) Expenditures..... | <u>\$ (33,810)</u>      | <u>\$ (16,975)</u>                          | <u>\$ 2,707</u>                                | <u>\$ (1,146)</u>       |
| Other Financing Sources (Uses):                   |                         |   |  |                         |
| General Obligation Bond Issuance.....             | \$ -                    | \$ -  | \$ -   | \$ -                    |
| Revenue Bond Issuance.....                        | -                       | 15,145                                      | -  | -                       |
| Loan Proceeds.....                                | -                       | -   | -  | -                       |
| Transfers-In.....                                 | 32,349                  | 9,066                                       | -  | -                       |
| Transfers-Out.....                                | (1,622)                 | (3,785)                                     | -  | (559)                   |
| Capital Leases.....                               | -                       | -   | -  | -                       |
| Net Other Financing Sources (Uses).....           | <u>\$ 30,727</u>        | <u>\$ 20,426</u>                            | <u>\$ -</u>                                    | <u>\$ (559)</u>         |
| Net Change in Fund Balances.....                  | <u>\$ (3,083)</u>       | <u>\$ 3,451</u>                             | <u>\$ 2,707</u>                                | <u>\$ (1,705)</u>       |
| Fund Balances, Beginning, as Reported.....        | <u>\$ 74,900</u>        | <u>\$ 59,274</u>                            | <u>\$ 158,916</u>                              | <u>\$ 14,590</u>        |
| Change in Fund Structure.....                     | -                       | -   | -  | -                       |
| Fund Balances, Beginning, as Restated.....        | <u>\$ 74,900</u>        | <u>\$ 59,274</u>                            | <u>\$ 158,916</u>                              | <u>\$ 14,590</u>        |
| Change in Inventory.....                          | -                       | -   | -  | -                       |
| Fund Balances, Ending.....                        | <u><u>\$ 71,817</u></u> | <u><u>\$ 62,725</u></u>                     | <u><u>\$ 161,623</u></u>                       | <u><u>\$ 12,885</u></u> |

| MAXIMUM<br>EFFORT<br>SCHOOL<br>LOAN | SPECIAL<br>COMPENSATION | HEALTH<br>CARE<br>ACCESS | HEALTH<br>IMPACT    | MEDICAL<br>EDUCATION<br>AND<br>RESEARCH | MISCELLANEOUS<br>SPECIAL<br>REVENUE | TOTAL               |
|-------------------------------------|-------------------------|--------------------------|---------------------|---|-------------------------------------|---------------------|
| \$ -                                | \$ -                    | \$ -                     | \$ -                | \$ -                                    | \$ -                                | \$ 657,541          |
| -                                   | -                       | -                        | -                   | -                                       | -                                   | 648,078             |
| -                                   | 97,192                  | 473,649                  | -                   | -                                       | 31,392                              | 676,965             |
| -                                   | -                       | -                        | -                   | -                                       | 10,983                              | 487,104             |
| -                                   | 76                      | -                        | 223,507             | -                                       | 130,222                             | 482,724             |
| -                                   | 706                     | 21,110                   | -                   | -                                       | 115,787                             | 161,097             |
| 1,742                               | 3,100                   | 10,190                   | 186                 | -                                       | 7,610                               | 152,270             |
| -                                   | 4,129                   | -                        | -                   | -                                       | 8,177                               | 14,757              |
| -                                   | 254                     | 895                      | -                   | -                                       | 649                                 | 10,076              |
| -                                   | 1,240                   | 3,817                    | -                   | 193                                     | 156,929                             | 195,358             |
| <u>\$ 1,742</u>                     | <u>\$ 106,697</u>       | <u>\$ 509,661</u>        | <u>\$ 223,693</u>   | <u>\$ 193</u>                           | <u>\$ 461,749</u>                   | <u>\$ 3,485,970</u> |
| \$ -                                | \$ -                    | \$ -                     | \$ -                | \$ -                                    | \$ 78,282                           | \$ 159,897          |
| -                                   | -                       | -                        | -                   | -                                       | 11,264                              | 1,236,127           |
| -                                   | -                       | -                        | -                   | -                                       | 50,699                              | 333,713             |
| -                                   | 93,260                  | -                        | -                   | -                                       | 87,102                              | 213,286             |
| 11,695                              | -                       | -                        | -                   | -                                       | 20,138                              | 48,514              |
| -                                   | -                       | -                        | -                   | -                                       | 24,083                              | 26,132              |
| -                                   | -                       | 322,539                  | -                   | 66,504                                  | 331,142                             | 721,148             |
| -                                   | 6,857                   | 1,859                    | -                   | -                                       | 22,246                              | 38,803              |
| -                                   | -                       | -                        | -                   | -                                       | 210                                 | 210                 |
| -                                   | 251                     | 885                      | -                   | -                                       | 642                                 | 9,855               |
| <u>\$ 11,695</u>                    | <u>\$ 100,368</u>       | <u>\$ 325,283</u>        | <u>\$ -</u>         | <u>\$ 66,504</u>                        | <u>\$ 625,808</u>                   | <u>\$ 2,787,685</u> |
| -                                   | -                       | 706                      | -                   | -                                       | 3,434                               | 465,418             |
| -                                   | -                       | 428                      | -                   | -                                       | 202                                 | 17,452              |
| <u>\$ 11,695</u>                    | <u>\$ 100,368</u>       | <u>\$ 326,417</u>        | <u>\$ -</u>         | <u>\$ 66,504</u>                        | <u>\$ 629,444</u>                   | <u>\$ 3,270,555</u> |
| <u>\$ (9,953)</u>                   | <u>\$ 6,329</u>         | <u>\$ 183,244</u>        | <u>\$ 223,693</u>   | <u>\$ (66,311)</u>                      | <u>\$ (167,695)</u>                 | <u>\$ 215,415</u>   |
| \$ 8,500                            | \$ -                    | \$ -                     | \$ -                | \$ -                                    | \$ -                                | \$ 8,500            |
| -                                   | -                       | -                        | -                   | -                                       | -                                   | 15,145              |
| -                                   | -                       | -                        | -                   | -                                       | -                                   | 24,610              |
| -                                   | -                       | -                        | -                   | 85,927                                  | 277,732                             | 1,753,889           |
| (2,264)                             | (3)                     | (127,167)                | (223,693)           | (17,400)                                | (47,248)                            | (1,800,766)         |
| -                                   | -                       | -                        | -                   | -                                       | 310                                 | 310                 |
| <u>\$ 6,236</u>                     | <u>\$ (3)</u>           | <u>\$ (127,167)</u>      | <u>\$ (223,693)</u> | <u>\$ 68,527</u>                        | <u>\$ 230,794</u>                   | <u>\$ 1,688</u>     |
| <u>\$ (3,717)</u>                   | <u>\$ 6,326</u>         | <u>\$ 56,077</u>         | <u>\$ -</u>         | <u>\$ 2,216</u>                         | <u>\$ 63,099</u>                    | <u>\$ 217,103</u>   |
| <u>\$ 77,602</u>                    | <u>\$ 25,506</u>        | <u>\$ 152,028</u>        | <u>\$ -</u>         | <u>\$ 41,481</u>                        | <u>\$ 470,118</u>                   | <u>\$ 2,430,092</u> |
| -                                   | -                       | -                        | -                   | -                                       | (8,449)                             | (8,449)             |
| <u>\$ 77,602</u>                    | <u>\$ 25,506</u>        | <u>\$ 152,028</u>        | <u>\$ -</u>         | <u>\$ 41,481</u>                        | <u>\$ 461,669</u>                   | <u>\$ 2,421,643</u> |
| -                                   | -                       | -                        | -                   | -                                       | -                                   | 2,845               |
| <u>\$ 73,885</u>                    | <u>\$ 31,832</u>        | <u>\$ 208,105</u>        | <u>\$ -</u>         | <u>\$ 43,697</u>                        | <u>\$ 524,768</u>                   | <u>\$ 2,641,591</u> |

# STATE OF MINNESOTA

## NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS

YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)

|   | TRUNK HIGHWAY   |              | HIGHWAY USER TAX DISTRIBUTION |                |
|---|-----------------|--------------|-------------------------------|----------------|
|   | FINAL<br>BUDGET | ACTUAL       | FINAL<br>BUDGET               | ACTUAL         |
| Net Revenues:                                 |                 |              |                               |                |
| Motor Vehicle Taxes.....                      | \$ -            | \$ -         | \$ 643,939                    | \$ 643,939     |
| Fuel Taxes.....                               | -               | -            | 644,134                       | 644,134        |
| Other Taxes.....                              | -               | -            | -                             | -              |
| Federal Revenues.....                         | 543,025         | 543,025      | -                             | -              |
| Departmental Services/Licenses & Fees.....    | 12,264          | 12,264       | -                             | -              |
| Investment/Interest Income.....               | 11,517          | 11,517       | 2,000                         | 1,767          |
| Other Revenues.....                           | 42,190          | 42,190       | 959                           | 882            |
| Net Revenues.....                             | \$ 608,996      | \$ 608,996   | \$ 1,291,032                  | \$ 1,290,722   |
| Expenditures:                                 |                 |              |                               |                |
| Public Safety and Corrections.....            | \$ 79,095       | \$ 75,257    | \$ 8,242                      | \$ 8,139       |
| Transportation.....                           | 1,322,688       | 1,303,642    | 401                           | 401            |
| Agricultural and Environmental Resources..... | -               | -            | -                             | -              |
| Economic and Workforce Development.....       | -               | -            | -                             | -              |
| Higher Education.....                         | -               | -            | -                             | -              |
| Health and Human Services.....                | -               | -            | -                             | -              |
| General Government.....                       | 1,251           | 272          | 2,416                         | 2,163          |
| Intergovernment Aid.....                      | -               | -            | -                             | -              |
| Total Expenditures.....                       | \$ 1,403,034    | \$ 1,379,171 | \$ 11,059                     | \$ 10,703      |
| Excess of Revenues Over (Under)               |                 |              |                               |                |
| Expenditures.....                             | \$ (794,038)    | \$ (770,175) | \$ 1,279,973                  | \$ 1,280,019   |
| Other Financing Sources (Uses):               |                 |              |                               |                |
| Transfers-In.....                             | \$ 760,782      | \$ 759,846   | \$ -                          | \$ -           |
| Transfers-Out.....                            | (53,856)        | (53,856)     | (1,280,439)                   | (1,280,439)    |
| Net Other Financing Sources (Uses).....       | \$ 706,926      | \$ 705,990   | \$ (1,280,439)                | \$ (1,280,439) |
| Net Change in Fund Balances.....              | \$ (87,112)     | \$ (64,185)  | \$ (466)                      | \$ (420)       |
| Fund Balances, Beginning, as Reported.....    | \$ 105,941      | \$ 105,941   | \$ 3,675                      | \$ 3,675       |
| Prior Period Adjustments.....                 | -               | 19,201       | -                             | 96             |
| Fund Balances, Beginning, as Restated.....    | \$ 105,941      | \$ 125,142   | \$ 3,675                      | \$ 3,771       |
| Fund Balances, Ending.....                    | \$ 18,829       | \$ 60,957    | \$ 3,209                      | \$ 3,351       |
| Less Appropriation Carryover.....             | -               | 4,781        | -                             | -              |
| Less Long-term Receivables.....               | -               | -            | -                             | -              |
| Undesignated Fund Balances, Ending.....       | \$ 18,829       | \$ 56,176    | \$ 3,209                      | \$ 3,351       |

| STATE AIRPORTS  |            | PETROLEUM TANK CLEANUP |            | MINNESOTA RESOURCES |          |
|-----------------|------------|------------------------|------------|---------------------|----------|
| FINAL<br>BUDGET | ACTUAL     | FINAL<br>BUDGET        | ACTUAL     | FINAL<br>BUDGET     | ACTUAL   |
| \$ -            | \$ -       | \$ -                   | \$ -       | \$ -                | \$ -     |
| 3,631           | 3,808      | -                      | -          | -                   | -        |
| 14,106          | 13,258     | -                      | -          | -                   | -        |
| -               | -          | -                      | -          | -                   | -        |
| 500             | 464        | 26,508                 | 26,731     | -                   | -        |
| 541             | 709        | 300                    | 1,358      | 50                  | 50       |
| 103             | 162        | 76                     | 200        | -                   | -        |
| \$ 18,881       | \$ 18,401  | \$ 26,884              | \$ 28,289  | \$ 50               | \$ 50    |
| \$ -            | \$ -       | \$ -                   | \$ -       | \$ -                | \$ -     |
| 22,123          | 21,409     | -                      | -          | -                   | -        |
| -               | -          | 14,353                 | 13,905     | 298                 | 298      |
| -               | -          | -                      | -          | -                   | -        |
| -               | -          | -                      | -          | -                   | -        |
| 100             | -          | -                      | -          | -                   | -        |
| -               | -          | -                      | -          | -                   | -        |
| \$ 22,223       | \$ 21,409  | \$ 14,353              | \$ 13,905  | \$ 298              | \$ 298   |
| \$ (3,342)      | \$ (3,008) | \$ 12,531              | \$ 14,384  | \$ (248)            | \$ (248) |
| \$ -            | \$ -       | \$ 46                  | \$ 1,622   | \$ -                | \$ -     |
| -               | -          | (10,429)               | (10,429)   | (131)               | (131)    |
| \$ -            | \$ -       | \$ (10,383)            | \$ (8,807) | \$ (131)            | \$ (131) |
| \$ (3,342)      | \$ (3,008) | \$ 2,148               | \$ 5,577   | \$ (379)            | \$ (379) |
| \$ 8,298        | \$ 8,298   | \$ 14,576              | \$ 14,576  | \$ 405              | \$ 405   |
| -               | 387        | -                      | 220        | -                   | 271      |
| \$ 8,298        | \$ 8,685   | \$ 14,576              | \$ 14,796  | \$ 405              | \$ 676   |
| \$ 4,956        | \$ 5,677   | \$ 16,724              | \$ 20,373  | \$ 26               | \$ 297   |
| -               | 1,445      | -                      | 2,888      | -                   | 211      |
| -               | 2,894      | -                      | 6          | -                   | -        |
| \$ 4,956        | \$ 1,338   | \$ 16,724              | \$ 17,479  | \$ 26               | \$ 86    |

CONTINUED

# STATE OF MINNESOTA

## NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | NATURAL RESOURCES |             | GAME AND FISH   |            |
|---|-------------------|-------------|-----------------|------------|
|   | FINAL<br>BUDGET   | ACTUAL      | FINAL<br>BUDGET | ACTUAL     |
| Net Revenues:                                 |                   |             |                 |            |
| Motor Vehicle Taxes.....                      | \$ -              | \$ -        | \$ -            | \$ -       |
| Fuel Taxes.....                               | -                 | -           | -               | -          |
| Other Taxes.....                              | 10,073            | 9,948       | 10,073          | 9,948      |
| Federal Revenues.....                         | 1,240             | 958         | 19,100          | 17,465     |
| Departmental Services/Licenses & Fees.....    | 43,654            | 40,263      | 58,366          | 59,399     |
| Investment/Interest Income.....               | 1,007             | 1,256       | 1,504           | 1,555      |
| Other Revenues.....                           | 1,301             | 1,356       | 272             | 337        |
| Net Revenues.....                             | \$ 57,275         | \$ 53,781   | \$ 89,315       | \$ 88,704  |
| Expenditures:                                 |                   |             |                 |            |
| Public Safety and Corrections.....            | \$ -              | \$ -        | \$ -            | \$ -       |
| Transportation.....                           | 4,570             | 4,570       | -               | -          |
| Agricultural and Environmental Resources..... | 75,548            | 69,845      | 99,705          | 95,658     |
| Economic and Workforce Development.....       | -                 | -           | -               | -          |
| Higher Education.....                         | 135               | 135         | -               | -          |
| Health and Human Services.....                | -                 | -           | -               | -          |
| General Government.....                       | -                 | -           | -               | -          |
| Intergovernment Aid.....                      | -                 | -           | -               | -          |
| Total Expenditures.....                       | \$ 80,253         | \$ 74,550   | \$ 99,705       | \$ 95,658  |
| Excess of Revenues Over (Under)               |                   |             |                 |            |
| Expenditures.....                             | \$ (22,978)       | \$ (20,769) | \$ (10,390)     | \$ (6,954) |
| Other Financing Sources (Uses):               |                   |             |                 |            |
| Transfers-In.....                             | \$ 21,584         | \$ 21,504   | \$ 1,033        | \$ 1,033   |
| Transfers-Out.....                            | (14)              | (14)        | (3)             | (3)        |
| Net Other Financing Sources (Uses).....       | \$ 21,570         | \$ 21,490   | \$ 1,030        | \$ 1,030   |
| Net Change in Fund Balances.....              | \$ (1,408)        | \$ 721      | \$ (9,360)      | \$ (5,924) |
| Fund Balances, Beginning, as Reported.....    | \$ 32,608         | \$ 32,608   | \$ 29,172       | \$ 29,172  |
| Prior Period Adjustments.....                 | -                 | 2,692       | -               | 775        |
| Fund Balances, Beginning, as Restated.....    | \$ 32,608         | \$ 35,300   | \$ 29,172       | \$ 29,947  |
| Fund Balances, Ending.....                    | \$ 31,200         | \$ 36,021   | \$ 19,812       | \$ 24,023  |
| Less Appropriation Carryover.....             | -                 | 4,746       | -               | 2,213      |
| Less Long-term Receivables.....               | -                 | -           | -               | -          |
| Undesignated Fund Balances, Ending.....       | \$ 31,200         | \$ 31,275   | \$ 19,812       | \$ 21,810  |



| ENVIRONMENTAL   |             | REMEDATION      |             | SPECIAL COMPENSATION |            |
|-----------------|-------------|-----------------|-------------|----------------------|------------|
| FINAL<br>BUDGET | ACTUAL      | FINAL<br>BUDGET | ACTUAL      | FINAL<br>BUDGET      | ACTUAL     |
| \$ -            | \$ -        | \$ -            | \$ -        | \$ -                 | \$ -       |
| -               | -           | -               | -           | -                    | -          |
| 47,781          | 48,687      | 712             | 795         | -                    | -          |
| -               | -           | -               | -           | -                    | -          |
| 22,899          | 18,142      | 742             | 738         | 876                  | 3,299      |
| 2,205           | 2,187       | 1,392           | 961         | 2,294                | 2,898      |
| 900             | 687         | 3,947           | 5,900       | 98,276               | 95,382     |
| \$ 73,785       | \$ 69,703   | \$ 6,793        | \$ 8,394    | \$ 101,446           | \$ 101,579 |
| \$ 49           | \$ 49       | \$ -            | \$ -        | \$ -                 | \$ -       |
| -               | -           | -               | -           | -                    | -          |
| 62,791          | 62,365      | 52,309          | 50,981      | -                    | -          |
| -               | -           | 737             | 700         | 95,362               | 93,730     |
| -               | -           | -               | -           | -                    | -          |
| -               | -           | 234             | 226         | -                    | -          |
| 645             | 389         | 4,842           | 4,124       | 8,124                | 7,473      |
| -               | -           | -               | -           | -                    | -          |
| \$ 63,485       | \$ 62,803   | \$ 58,122       | \$ 56,031   | \$ 103,486           | \$ 101,203 |
| \$ 10,300       | \$ 6,900    | \$ (51,329)     | \$ (47,637) | \$ (2,040)           | \$ 376     |
| \$ -            | \$ -        | \$ 36,383       | \$ 32,349   | \$ -                 | \$ -       |
| (26,304)        | (26,304)    | (2,044)         | (2,044)     | (3)                  | (3)        |
| \$ (26,304)     | \$ (26,304) | \$ 34,339       | \$ 30,305   | \$ (3)               | \$ (3)     |
| \$ (16,004)     | \$ (19,404) | \$ (16,990)     | \$ (17,332) | \$ (2,043)           | \$ 373     |
| \$ 35,983       | \$ 35,983   | \$ 19,631       | \$ 19,631   | \$ 32,901            | \$ 32,901  |
| -               | 1,245       | -               | 5,620       | -                    | 200        |
| \$ 35,983       | \$ 37,228   | \$ 19,631       | \$ 25,251   | \$ 32,901            | \$ 33,101  |
| \$ 19,979       | \$ 17,824   | \$ 2,641        | \$ 7,919    | \$ 30,858            | \$ 33,474  |
| -               | 2,481       | -               | 5,258       | -                    | 2,758      |
| -               | 1,412       | -               | -           | -                    | -          |
| \$ 19,979       | \$ 13,931   | \$ 2,641        | \$ 2,661    | \$ 30,858            | \$ 30,716  |

CONTINUED

# STATE OF MINNESOTA

## NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | HEALTH CARE ACCESS |              | COMBINED TOTALS |              |
|---|--------------------|--------------|-----------------|--------------|
|   | FINAL<br>BUDGET    | ACTUAL       | FINAL<br>BUDGET | ACTUAL       |
| Net Revenues:                                 |                    |              |                 |              |
| Motor Vehicle Taxes.....                      | \$ -               | \$ -         | \$ 643,939      | \$ 643,939   |
| Fuel Taxes.....                               | -                  | -            | 647,765         | 647,942      |
| Other Taxes.....                              | 465,908            | 463,222      | 548,653         | 545,858      |
| Federal Revenues.....                         | -                  | -            | 563,365         | 561,448      |
| Departmental Services/Licenses & Fees.....    | 18,705             | 21,978       | 184,514         | 183,278      |
| Investment/Interest Income.....               | 6,463              | 10,200       | 29,273          | 34,458       |
| Other Revenues.....                           | 5,199              | 8,005        | 153,223         | 155,101      |
| Net Revenues.....                             | \$ 496,275         | \$ 503,405   | \$ 2,770,732    | \$ 2,772,024 |
| Expenditures:                                 |                    |              |                 |              |
| Public Safety and Corrections.....            | \$ -               | \$ -         | \$ 87,386       | \$ 83,445    |
| Transportation.....                           | -                  | -            | 1,349,782       | 1,330,022    |
| Agricultural and Environmental Resources..... | -                  | -            | 305,004         | 293,052      |
| Economic and Workforce Development.....       | -                  | -            | 96,099          | 94,430       |
| Higher Education.....                         | -                  | -            | 135             | 135          |
| Health and Human Services.....                | 338,110            | 321,973      | 338,344         | 322,199      |
| General Government.....                       | 1,902              | 1,901        | 19,280          | 16,322       |
| Intergovernment Aid.....                      | 428                | 428          | 428             | 428          |
| Total Expenditures.....                       | \$ 340,440         | \$ 324,302   | \$ 2,196,458    | \$ 2,140,033 |
| Excess of Revenues Over (Under)               |                    |              |                 |              |
| Expenditures.....                             | \$ 155,835         | \$ 179,103   | \$ 574,274      | \$ 631,991   |
| Other Financing Sources (Uses):               |                    |              |                 |              |
| Transfers-In.....                             | \$ -               | \$ -         | \$ 819,828      | \$ 816,354   |
| Transfers-Out.....                            | (129,324)          | (129,324)    | (1,502,547)     | (1,502,547)  |
| Net Other Financing Sources (Uses).....       | \$ (129,324)       | \$ (129,324) | \$ (682,719)    | \$ (686,193) |
| Net Change in Fund Balances.....              | \$ 26,511          | \$ 49,779    | \$ (108,445)    | \$ (54,202)  |
| Fund Balances, Beginning, as Reported.....    | \$ 115,796         | \$ 115,796   | \$ 398,986      | \$ 398,986   |
| Prior Period Adjustments.....                 | -                  | 401          | -               | 31,108       |
| Fund Balances, Beginning, as Restated.....    | \$ 115,796         | \$ 116,197   | \$ 398,986      | \$ 430,094   |
| Fund Balances, Ending.....                    | \$ 142,307         | \$ 165,976   | \$ 290,541      | \$ 375,892   |
| Less Appropriation Carryover.....             | -                  | 3,733        | -               | 30,514       |
| Less Long-term Receivables.....               | -                  | -            | -               | -            |
| Undesignated Fund Balances, Ending.....       | \$ 142,307         | \$ 162,243   | \$ 290,541      | \$ 345,378   |

**Note to Nonmajor Appropriated Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Budgetary Basis**  
**Year Ended June 30, 2007**  
**(In Thousands)**

**Budgetary Basis vs GAAP**  
**Nonmajor Appropriated Special Revenue Funds**

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Appropriated Special Revenue Fund - Budget and Actual. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, and intrafund transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the Nonmajor Appropriated Special Revenue Funds is provided in the following table.

|                                   | Trunk<br>Highway | Highway<br>User Tax<br>Distribution | State<br>Airports | Petroleum<br>Tank<br>Cleanup | Minnesota<br>Resources | Natural<br>Resources | Game and<br>Fish | Environmental    | Remediation     | Special<br>Compensation | Health Care<br>Access |
|-----------------------------------|------------------|-------------------------------------|-------------------|------------------------------|------------------------|----------------------|------------------|------------------|-----------------|-------------------------|-----------------------|
| GAAP Basis Fund Balances:         | \$ 353,478       | \$ 544                              | \$ 18,569         | \$ 24,462                    | \$ 288                 | \$ 54,870            | \$ 34,438        | \$ 32,143        | \$ 71,817       | \$ 31,832               | \$ 208,105            |
| Less: Reserved Fund Balances      | 348,697          | 544                                 | 15,438            | 7,484                        | 77                     | 7,058                | 8,214            | 8,795            | 63,898          | 111                     | 3,235                 |
| Less: Designated Fund Balances    | 4,781            | -                                   | 3,131             | 16,978                       | 211                    | 47,812               | 26,224           | 23,348           | 7,919           | 31,721                  | 3,733                 |
| Undesignated Fund Balances        | <u>\$ -</u>      | <u>\$ -</u>                         | <u>\$ -</u>       | <u>\$ -</u>                  | <u>\$ -</u>            | <u>\$ -</u>          | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>             | <u>\$ 201,137</u>     |
| Basis of Accounting Differences   |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Revenue Accruals/Adjustments:     |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Taxes Receivable                  | \$ -             | \$ (59,946)                         | \$ (348)          | \$ -                         | \$ -                   | \$ -                 | \$ -             | \$ (5,082)       | \$ -            | \$ -                    | \$ (76,858)           |
| Human Services Receivable         | -                | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | (6,450)               |
| Deferred Revenue                  | 1,017            | 4,014                               | -                 | 147                          | -                      | 3                    | 105              | 5,565            | -               | 103,938                 | 7,324                 |
| Other Receivables                 | 1,931            | -                                   | -                 | (148)                        | -                      | (5,184)              | (1,491)          | (7,419)          | -               | (103,390)               | (2,328)               |
| Expenditure Accruals/Adjustments: |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Transportation                    | -                | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | -                     |
| Health and Human Services         | -                | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | 36,065                |
| Other Payables                    | -                | -                                   | -                 | 3,390                        | -                      | 1,390                | -                | -                | -               | 1,205                   | -                     |
| Other Financial Sources (Uses):   |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Transfers-In                      | (32,124)         | -                                   | -                 | -                            | -                      | (8,000)              | (815)            | -                | -               | -                       | -                     |
| Transfers-Out                     | -                | 59,283                              | -                 | -                            | 86                     | -                    | -                | -                | -               | -                       | 3,353                 |
| Fund Structure Differences:       |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Other                             | -                | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | -                     |
| Perspective Differences:          |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Reserve for Long-Term             |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Commitments                       | 85,352           | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | -                     |
| Reserve for Long-Term Receivables | -                | -                                   | -                 | -                            | -                      | -                    | -                | -                | -               | -                       | -                     |
| Designated for Fund Purposes      | -                | -                                   | 1,686             | 14,090                       | -                      | 43,066               | 24,011           | 20,867           | 2,661           | 28,963                  | -                     |
| Budgetary Basis Undesignated      |                  |                                     |                   |                              |                        |                      |                  |                  |                 |                         |                       |
| Fund Balances                     | <u>\$ 56,176</u> | <u>\$ 3,351</u>                     | <u>\$ 1,338</u>   | <u>\$ 17,479</u>             | <u>\$ 86</u>           | <u>\$ 31,275</u>     | <u>\$ 21,810</u> | <u>\$ 13,931</u> | <u>\$ 2,661</u> | <u>\$ 30,716</u>        | <u>\$ 162,243</u>     |





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Nonmajor Capital Projects Funds

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## **Building Fund**

The fund receives revenue from the sale of state bonds to provide funds for the acquisition, maintenance, and betterment of state lands and buildings and to make grants and loans to local governments for the acquisition and betterment of other public land and buildings.

## **General Projects Fund**

The fund receives monies appropriated from the General Fund for building, maintenance, or capital improvement projects.

## **Transportation Fund**

The fund receives proceeds of transportation bonds, General Fund appropriations, and federal grants for the construction or reconstruction of state and locally owned bridges.

# STATE OF MINNESOTA

## NONMAJOR CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2007 (IN THOUSANDS)

|   | BUILDING          | GENERAL<br>PROJECTS | TRANSPORTATION   | TOTAL            |
|---|-------------------|---------------------|------------------|------------------|
| <b>ASSETS</b>                             |                   |                     |                  |                  |
| Cash and Cash Equivalents.....            | \$ 33,800         | \$ 2,475            | \$ 44,672        | \$ 80,947        |
| Loans and Notes Receivable.....           | 4,134             | 152                 | -                | 4,286            |
| Total Assets .....                        | <u>\$ 37,934</u>  | <u>\$ 2,627</u>     | <u>\$ 44,672</u> | <u>\$ 85,233</u> |
| <b>LIABILITIES AND FUND BALANCES</b>      |                   |                     |                  |                  |
| <b>Liabilities:</b>                       |                   |                     |                  |                  |
| Accounts Payable.....                     | \$ 29,999         | \$ 26               | \$ 5,816         | \$ 35,841        |
| Interfund Payables.....                   | 10,505            | -                   | -                | 10,505           |
| Total Liabilities.....                    | <u>\$ 40,504</u>  | <u>\$ 26</u>        | <u>\$ 5,816</u>  | <u>\$ 46,346</u> |
| <b>Fund Balances:</b>                     |                   |                     |                  |                  |
| <b>Reserved Fund Balance:</b>             |                   |                     |                  |                  |
| Reserved for Encumbrances.....            | \$ 17,265         | \$ 578              | \$ 8,843         | \$ 26,686        |
| Reserved for Long-Term Receivables.....   | 4,134             | 152                 | -                | 4,286            |
| Reserved for Long-Term Commitments.....   | -                 | 1,871               | -                | 1,871            |
| Total Reserved Fund Balances.....         | <u>\$ 21,399</u>  | <u>\$ 2,601</u>     | <u>\$ 8,843</u>  | <u>\$ 32,843</u> |
| <b>Unreserved Fund Balance:</b>           |                   |                     |                  |                  |
| Undesignated.....                         | \$ (23,969)       | \$ -                | \$ 30,013        | \$ 6,044         |
| Total Fund Balances .....                 | <u>\$ (2,570)</u> | <u>\$ 2,601</u>     | <u>\$ 38,856</u> | <u>\$ 38,887</u> |
| Total Liabilities and Fund Balances ..... | <u>\$ 37,934</u>  | <u>\$ 2,627</u>     | <u>\$ 44,672</u> | <u>\$ 85,233</u> |

# STATE OF MINNESOTA

## NONMAJOR CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | BUILDING     | GENERAL<br>PROJECTS | TRANSPORTATION | TOTAL        |
|---|--------------|---------------------|----------------|--------------|
| Net Revenues:                                     |              |                     |                |              |
| Investment/Interest Income.....                   | \$ 62        | \$ 1                | \$ -           | \$ 63        |
| Net Revenues.....                                 | \$ 62        | \$ 1                | \$ -           | \$ 63        |
| Expenditures:                                     |              |                     |                |              |
| Current:  |              |                     |                |              |
| Public Safety and Corrections.....                | \$ 3,079     | \$ -                | \$ -           | \$ 3,079     |
| Transportation.....                               | 32,041       | 952                 | 42,672         | 75,665       |
| Agricultural and Environmental Resources.....     | 46,245       | 528                 | -              | 46,773       |
| Economic and Workforce Development.....           | 75,674       | 173                 | -              | 75,847       |
| General Education.....                            | 7,943        | -                   | -              | 7,943        |
| Higher Education.....                             | 112,449      | -                   | -              | 112,449      |
| General Government.....                           | 5,810        | 730                 | 68             | 6,608        |
| Total Current Expenditures.....                   | \$ 283,241   | \$ 2,383            | \$ 42,740      | \$ 328,364   |
| Capital Outlay.....                               | 134,458      | -                   | 80,062         | 214,520      |
| Total Expenditures.....                           | \$ 417,699   | \$ 2,383            | \$ 122,802     | \$ 542,884   |
| Excess of Revenues Over (Under) Expenditures..... | \$ (417,637) | \$ (2,382)          | \$ (122,802)   | \$ (542,821) |
| Other Financing Sources (Uses):                   |              |                     |                |              |
| General Obligation Bond Issuance.....             | \$ 511,570   | \$ -                | \$ 172,730     | \$ 684,300   |
| Transfers-In.....                                 | 42,287       | 3,696               | -              | 45,983       |
| Transfers-Out.....                                | (154,676)    | (5)                 | -              | (154,681)    |
| Net Other Financing Sources (Uses).....           | \$ 399,181   | \$ 3,691            | \$ 172,730     | \$ 575,602   |
| Net Change in Fund Balances.....                  | \$ (18,456)  | \$ 1,309            | \$ 49,928      | \$ 32,781    |
| Fund Balances, Beginning, as Reported.....        | \$ 15,886    | \$ 1,292            | \$ (11,072)    | \$ 6,106     |
| Fund Balances, Ending.....                        | \$ (2,570)   | \$ 2,601            | \$ 38,856      | \$ 38,887    |







State of Minnesota

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2007  
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# Nonmajor Enterprise Funds

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## **Behavioral Services Fund**

The fund accounts for the activity of state regional treatment centers for chemical dependency treatment services and for the activity of state neurorehabilitation services.

## **Enterprise Activities Fund**

The fund includes various minor activities providing services to the general public or local governmental units.

## **Giants Ridge Fund**

The fund accounts for a recreation area established to foster economic development and tourism within St. Louis County.

## **Minnesota Correctional Industries Fund**

The fund accounts for the activity of state correctional industries which facilitates offender rehabilitation by providing facilities and assistance for manufacturing and marketing goods primarily to governmental entities.

## **911 Services Fund**

The fund accounts for activities related to the enhancement of the state's 911 emergency response system.

## **Public Employees Insurance Fund**

The fund provides life insurance and hospital, medical, and dental benefit coverage to public employees and other eligible persons.

## **State Lottery Fund**

The fund accounts for the operations of the state lottery. Forty percent (40%) of the net proceeds are transferred to the Environment and Natural Resources Trust Fund, with the remainder transferred to the General Fund.

## **State Operated Community Services Fund**

The fund accounts for waiver residential and day treatment and rehabilitation services for individuals with developmental disabilities.

# STATE OF MINNESOTA

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

|   | BEHAVIORAL<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE | MINNESOTA<br>CORRECTIONAL<br>INDUSTRIES |
|---|------------------------|--------------------------|-----------------|---|
| <b>ASSETS</b>   |                        |                          |                 |   |
| Current Assets:   |                        |                          |                 |   |
| Cash and Cash Equivalents.....                          | \$ 6,761               | \$ 4,838                 | \$ 3,426        | \$ 13,056                               |
| Accounts Receivable.....                                | 13,265                 | 2,553                    | 119             | 3,348                                   |
| Accrued Investment/Interest Income.....                 | -                      | -                        | 17              | -                                       |
| Inventories.....  | -                      | 621                      | 234             | 5,761                                   |
| Deferred Costs.....                                     | -                      | 12                       | -               | -                                       |
| Other Assets.....                                       | -                      | -                        | 1,639           | 194                                     |
| Total Current Assets.....                               | \$ 20,026              | \$ 8,024                 | \$ 5,435        | \$ 22,359                               |
| Noncurrent Assets:                                      |                        |                          |                 |   |
| Cash and Cash Equivalents-Restricted.....               | \$ -                   | \$ -                     | \$ 1,627        | \$ -                                    |
| Depreciable Capital Assets (Net).....                   | 1,106                  | 612                      | 20,225          | 3,877                                   |
| Nondepreciable Capital Assets .....                     | -                      | -                        | 893             | -                                       |
| Total Noncurrent Assets.....                            | \$ 1,106               | \$ 612                   | \$ 22,745       | \$ 3,877                                |
| Total Assets.....                                       | \$ 21,132              | \$ 8,636                 | \$ 28,180       | \$ 26,236                               |
| <b>LIABILITIES</b>                                      |                        |                          |                 |   |
| Current Liabilities:                                    |                        |                          |                 |   |
| Accounts Payable.....                                   | \$ 3,114               | \$ 3,364                 | \$ 316          | \$ 1,650                                |
| Interfund Payables.....                                 | -                      | -                        | -               | -                                       |
| Unearned Revenue.....                                   | -                      | 212                      | 64              | 192                                     |
| Accrued Bond Interest Payable.....                      | -                      | -                        | 163             | -                                       |
| General Obligation Bonds Payable.....                   | -                      | -                        | -               | -                                       |
| Revenue Bonds Payable.....                              | -                      | -                        | 705             | -                                       |
| Capital Leases.....                                     | -                      | -                        | 39              | -                                       |
| Compensated Absences Payable.....                       | 373                    | 36                       | 32              | 104                                     |
| Other Liabilities.....                                  | -                      | -                        | -               | 40                                      |
| Total Current Liabilities.....                          | \$ 3,487               | \$ 3,612                 | \$ 1,319        | \$ 1,986                                |
| Noncurrent Liabilities:                                 |                        |                          |                 |   |
| General Obligation Bonds Payable.....                   | \$ -                   | \$ -                     | \$ -            | \$ -                                    |
| Revenue Bonds Payable.....                              | -                      | -                        | 12,885          | -                                       |
| Capital Leases.....                                     | -                      | -                        | 104             | -                                       |
| Compensated Absences Payable.....                       | 2,063                  | 367                      | 170             | 829                                     |
| Other Liabilities.....                                  | -                      | -                        | -               | -                                       |
| Total Noncurrent Liabilities.....                       | \$ 2,063               | \$ 367                   | \$ 13,159       | \$ 829                                  |
| Total Liabilities.....                                  | \$ 5,550               | \$ 3,979                 | \$ 14,478       | \$ 2,815                                |
| <b>NET ASSETS</b>                                       |                        |                          |                 |   |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 1,106               | \$ 612                   | \$ 8,872        | \$ 3,877                                |
| Unrestricted .....                                      | 14,476                 | 4,045                    | 4,830           | 19,544                                  |
| Total Net Assets.....                                   | \$ 15,582              | \$ 4,657                 | \$ 13,702       | \$ 23,421                               |

| 911 SERVICES       | PUBLIC<br>EMPLOYEES<br>INSURANCE | STATE<br>LOTTERY | STATE<br>OPERATED<br>COMMUNITY<br>SERVICES | TOTAL             |
|--------------------|----------------------------------|------------------|--|-------------------|
| \$ 20,059          | \$ 5,268                         | \$ 19,679        | \$ 21,543                                  | \$ 94,630         |
| 4,774              | 864                              | 4,483            | 2,530                                      | 31,936            |
| -                  | -                                | -                | -  | 17                |
| -                  | -                                | 874              | -  | 7,490             |
| -                  | -                                | 395              | -  | 407               |
| -                  | -                                | -                | 144  | 1,977             |
| <u>\$ 24,833</u>   | <u>\$ 6,132</u>                  | <u>\$ 25,431</u> | <u>\$ 24,217</u>                           | <u>\$ 136,457</u> |
|                    |                                  |                  |  |                   |
| \$ -               | \$ -                             | \$ -             | \$ -                                       | \$ 1,627          |
| -                  | -                                | 1,403            | 5,258                                      | 32,481            |
| -                  | -                                | -                | 786  | 1,679             |
| <u>\$ -</u>        | <u>\$ -</u>                      | <u>\$ 1,403</u>  | <u>\$ 6,044</u>                            | <u>\$ 35,787</u>  |
| <u>\$ 24,833</u>   | <u>\$ 6,132</u>                  | <u>\$ 26,834</u> | <u>\$ 30,261</u>                           | <u>\$ 172,244</u> |
|                    |                                  |                  |  |                   |
| \$ 1,276           | \$ 1,539                         | \$ 9,243         | \$ 4,198                                   | \$ 24,700         |
| 57                 | -                                | 16,256           | -  | 16,313            |
| -                  | 596                              | 214              | -  | 1,278             |
| 139                | -                                | -                | 15   | 317               |
| -                  | -                                | -                | 259  | 259               |
| 2,590              | -                                | -                | -  | 3,295             |
| -                  | -                                | -                | 10   | 49                |
| 13                 | 2                                | 92               | 1,217                                      | 1,869             |
| -                  | -                                | -                | -  | 40                |
| <u>\$ 4,075</u>    | <u>\$ 2,137</u>                  | <u>\$ 25,805</u> | <u>\$ 5,699</u>                            | <u>\$ 48,120</u>  |
|                    |                                  |                  |  |                   |
| \$ -               | \$ -                             | \$ -             | \$ 2,892                                   | \$ 2,892          |
| 32,410             | -                                | -                | -  | 45,295            |
| -                  | -                                | -                | 733  | 837               |
| 105                | 31                               | 1,029            | 5,321                                      | 9,915             |
| 2,122              | -                                | -                | -  | 2,122             |
| <u>\$ 34,637</u>   | <u>\$ 31</u>                     | <u>\$ 1,029</u>  | <u>\$ 8,946</u>                            | <u>\$ 61,061</u>  |
| <u>\$ 38,712</u>   | <u>\$ 2,168</u>                  | <u>\$ 26,834</u> | <u>\$ 14,645</u>                           | <u>\$ 109,181</u> |
|                    |                                  |                  |  |                   |
| \$ -               | \$ -                             | \$ 1,403         | \$ 2,150                                   | \$ 18,020         |
| (13,879)           | 3,964                            | (1,403)          | 13,466                                     | 45,043            |
| <u>\$ (13,879)</u> | <u>\$ 3,964</u>                  | <u>\$ -</u>      | <u>\$ 15,616</u>                           | <u>\$ 63,063</u>  |

# STATE OF MINNESOTA

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | BEHAVIORAL<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE | MINNESOTA<br>CORRECTIONAL<br>INDUSTRIES |
|---|------------------------|--------------------------|-----------------|---|
| Operating Revenues:                                 |                        |                          |                 |   |
| Net Sales.....                                      | \$ -                   | \$ 2,139                 | \$ 3,856        | \$ 38,446                               |
| Rental and Service Fees.....                        | 35,697                 | 7,829                    | 125             | -                                       |
| Insurance Premiums.....                             | -                      | -                        | -               | -                                       |
| Other Income.....                                   | 2                      | -                        | 66              | 1,268                                   |
| Total Operating Revenues.....                       | \$ 35,699              | \$ 9,968                 | \$ 4,047        | \$ 39,714                               |
| Less: Cost of Goods Sold.....                       | -                      | 646                      | -               | 20,666                                  |
| Gross Margin.....                                   | \$ 35,699              | \$ 9,322                 | \$ 4,047        | \$ 19,048                               |
| Operating Expenses:                                 |                        |                          |                 |   |
| Purchased Services.....                             | \$ 3,653               | \$ 1,280                 | \$ 2,322        | \$ 3,669                                |
| Salaries and Fringe Benefits.....                   | 25,629                 | 3,177                    | 2,518           | 9,250                                   |
| Claims.....   | -                      | -                        | -               | -                                       |
| Depreciation.....                                   | 159                    | 75                       | 1,165           | 671                                     |
| Amortization.....                                   | -                      | -                        | 71              | -                                       |
| Supplies and Materials.....                         | 1,930                  | 96                       | 197             | 867                                     |
| Indirect Costs.....                                 | 3,164                  | 183                      | -               | 990                                     |
| Other Expenses.....                                 | 1,116                  | 119                      | 185             | 2,508                                   |
| Total Operating Expenses.....                       | \$ 35,651              | \$ 4,930                 | \$ 6,458        | \$ 17,955                               |
| Operating Income (Loss).....                        | \$ 48                  | \$ 4,392                 | \$ (2,411)      | \$ 1,093                                |
| Nonoperating Revenues (Expenses):                   |                        |                          |                 |   |
| Investment Income.....                              | \$ 169                 | \$ -                     | \$ 157          | \$ 637                                  |
| Other Nonoperating Revenues.....                    | -                      | -                        | -               | -                                       |
| Interest and Financing Costs.....                   | -                      | -                        | (1,000)         | -                                       |
| Grants, Aids and Subsidies.....                     | -                      | -                        | -               | -                                       |
| Other Nonoperating Expenses.....                    | -                      | (3,200)                  | (2)             | (240)                                   |
| Gain (Loss) on Disposal of Capital Assets.....      | 147                    | -                        | -               | 9                                       |
| Total Nonoperating Revenues (Expenses).....         | \$ 316                 | \$ (3,200)               | \$ (845)        | \$ 406                                  |
| Income (Loss) Before Transfers & Contributions..... | \$ 364                 | \$ 1,192                 | \$ (3,256)      | \$ 1,499                                |
| Transfers-In.....                                   | -                      | -                        | 3,782           | -                                       |
| Transfers-Out.....                                  | -                      | -                        | -               | -                                       |
| Change in Net Assets.....                           | \$ 364                 | \$ 1,192                 | \$ 526          | \$ 1,499                                |
| Net Assets, Beginning, as Reported.....             | \$ 15,218              | \$ 3,465                 | \$ 13,176       | \$ 21,922                               |
| Change in Fund Structure.....                       | -                      | -                        | -               | -                                       |
| Net Assets, Beginning, as Restated.....             | \$ 15,218              | \$ 3,465                 | \$ 13,176       | \$ 21,922                               |
| Net Assets, Ending.....                             | \$ 15,582              | \$ 4,657                 | \$ 13,702       | \$ 23,421                               |

| 911 SERVICES | PUBLIC<br>EMPLOYEES<br>INSURANCE | STATE<br>LOTTERY | STATE<br>OPERATED<br>COMMUNITY<br>SERVICES | TOTAL       |
|--------------|----------------------------------|------------------|--|-------------|
| \$ -         | \$ -                             | \$ 422,570       | \$ -                                       | \$ 467,011  |
| 49,527       | -                                | -                | 77,702                                     | 170,880     |
| -            | 12,958                           | -                | -  | 12,958      |
| -            | 199                              | -                | 843  | 2,378       |
| \$ 49,527    | \$ 13,157                        | \$ 422,570       | \$ 78,545                                  | \$ 653,227  |
| -            | -                                | 288,959          | -  | 310,271     |
| \$ 49,527    | \$ 13,157                        | \$ 133,611       | \$ 78,545                                  | \$ 342,956  |
|              |                                  |                  |  |             |
| \$ 13,836    | \$ 2,673                         | \$ 11,283        | \$ 5,381                                   | \$ 44,097   |
| 1,117        | 190                              | 10,063           | 64,018                                     | 115,962     |
| -            | 9,739                            | -                | -  | 9,739       |
| -            | -                                | 442              | 1,635                                      | 4,147       |
| -            | -                                | -                | -  | 71          |
| 60           | -                                | 809              | 2,471                                      | 6,430       |
| 39           | 6                                | -                | 4,696                                      | 9,078       |
| -            | 25                               | 337              | 1,982                                      | 6,272       |
| \$ 15,052    | \$ 12,633                        | \$ 22,934        | \$ 80,183                                  | \$ 195,796  |
| \$ 34,475    | \$ 524                           | \$ 110,677       | \$ (1,638)                                 | \$ 147,160  |
|              |                                  |                  |  |             |
| \$ 1,061     | \$ 266                           | \$ 1,618         | \$ 872                                     | \$ 4,780    |
| -            | -                                | 56               | -  | 56          |
| (939)        | -                                | -                | (472)                                      | (2,411)     |
| (14,978)     | -                                | -                | -  | (14,978)    |
| -            | -                                | -                | -  | (3,442)     |
| -            | -                                | -                | -  | 156         |
| \$ (14,856)  | \$ 266                           | \$ 1,674         | \$ 400                                     | \$ (15,839) |
|              |                                  |                  |  |             |
| \$ 19,619    | \$ 790                           | \$ 112,351       | \$ (1,238)                                 | \$ 131,321  |
| -            | -                                | -                | -  | 3,782       |
| (42,970)     | -                                | (112,351)        | -  | (155,321)   |
| \$ (23,351)  | \$ 790                           | \$ -             | \$ (1,238)                                 | \$ (20,218) |
| \$ -         | \$ 3,174                         | \$ -             | \$ 16,854                                  | \$ 73,809   |
| 9,472        | -                                | -                | -  | 9,472       |
| \$ 9,472     | \$ 3,174                         | \$ -             | \$ 16,854                                  | \$ 83,281   |
| \$ (13,879)  | \$ 3,964                         | \$ -             | \$ 15,616                                  | \$ 63,063   |

# STATE OF MINNESOTA

## NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | BEHAVIORAL<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE | MINNESOTA<br>CORRECTIONAL<br>INDUSTRIES |
|---|------------------------|--------------------------|-----------------|---|
| <b>Cash Flows from Operating Activities:</b>  |                        |                          |                 |   |
| Receipts from Customers.....  | \$ 34,096              | \$ 9,028                 | \$ 4,011        | \$ 38,446                               |
| Receipts from Other Revenues.....   | 2                      | -                        | -               | 1,268                                   |
| Payments to Claimants.....  | -                      | -                        | -               | -                                       |
| Payments to Suppliers.....  | (8,427)                | (2,289)                  | (2,797)         | (28,460)                                |
| Payments to Employees.....  | (25,183)               | (3,136)                  | (2,481)         | (9,250)                                 |
| Payments to Others.....   | -                      | -                        | -               | -                                       |
| Net Cash Flows from Operating Activities.....   | \$ 488                 | \$ 3,603                 | \$ (1,267)      | \$ 2,004                                |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                        |                          |                 |   |
| Grant Disbursements.....  | \$ -                   | \$ -                     | \$ -            | \$ -                                    |
| Transfers-In.....   | -                      | -                        | 3,782           | -                                       |
| Transfers-Out.....  | -                      | -                        | -               | -                                       |
| Proceeds from Bonds.....  | -                      | -                        | -               | -                                       |
| Interest Paid.....  | -                      | -                        | -               | -                                       |
| Other Nonoperating Expenses.....  | -                      | (3,200)                  | -               | (240)                                   |
| Net Cash Flows from Noncapital Financing Activities.....  | \$ -                   | \$ (3,200)               | \$ 3,782        | \$ (240)                                |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                  |                        |                          |                 |   |
| Investment in Capital Assets.....   | \$ (100)               | \$ (23)                  | \$ (638)        | \$ (689)                                |
| Proceeds from Disposal of Capital Assets.....   | -                      | 10                       | -               | 46                                      |
| Capital Lease Payments.....   | -                      | -                        | -               | -                                       |
| Repayment of Bond Principal.....  | -                      | -                        | (665)           | -                                       |
| Interest Paid.....  | -                      | -                        | (1,009)         | -                                       |
| Net Cash Flows from Capital and Related Financing Activities.....                                 | \$ (100)               | \$ (13)                  | \$ (2,312)      | \$ (643)                                |
| <b>Cash Flows from Investing Activities:</b>  |                        |                          |                 |   |
| Investment Earnings.....  | \$ 316                 | \$ -                     | \$ 158          | \$ 637                                  |
| Net Cash Flows from Investing Activities.....   | \$ 316                 | \$ -                     | \$ 158          | \$ 637                                  |
| Net Increase (Decrease) in Cash and Cash Equivalents.....   | \$ 704                 | \$ 390                   | \$ 361          | \$ 1,758                                |
| Cash and Cash Equivalents, Beginning, as Reported.....  | \$ 6,057               | \$ 4,448                 | \$ 4,692        | \$ 11,298                               |
| Change in Fund Structure.....   | -                      | -                        | -               | -                                       |
| Cash and Cash Equivalents, Beginning, as Restated.....  | \$ 6,057               | \$ 4,448                 | \$ 4,692        | \$ 11,298                               |
| Cash and Cash Equivalents, Ending.....  | \$ 6,761               | \$ 4,838                 | \$ 5,053        | \$ 13,056                               |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |                        |                          |                 |   |
| Operating Income (Loss).....  | \$ 48                  | \$ 4,392                 | \$ (2,411)      | \$ 1,093                                |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |                        |                          |                 |   |
| Depreciation.....   | \$ 159                 | \$ 75                    | \$ 1,165        | \$ 671                                  |
| Amortization.....   | -                      | -                        | 71              | -                                       |
| <b>Change in Assets and Liabilities:</b>  |                        |                          |                 |   |
| Accounts Receivable.....  | (101)                  | (1,087)                  | (52)            | 363                                     |
| Inventories.....  | -                      | 44                       | 22              | 1,119                                   |
| Other Assets.....   | -                      | (10)                     | -               | 1,376                                   |
| Accounts Payable.....   | 274                    | 97                       | (101)           | (240)                                   |
| Compensated Absences Payable.....   | 108                    | 67                       | 23              | (16)                                    |
| Unearned Revenues.....  | -                      | 25                       | 16              | (2,365)                                 |
| Other Liabilities.....  | -                      | -                        | -               | 3                                       |
| Net Reconciling Items to be Added to<br>(Deducted from) Operating Income.....                     | \$ 440                 | \$ (789)                 | \$ 1,144        | \$ 911                                  |
| Net Cash Flows from Operating Activities.....   | \$ 488                 | \$ 3,603                 | \$ (1,267)      | \$ 2,004                                |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                       |                        |                          |                 |   |
| Bond Premium Amortization.....  | \$ -                   | \$ -                     | \$ -            | \$ -                                    |

| 911 SERVICES       | PUBLIC<br>EMPLOYEES<br>INSURANCE | STATE<br>LOTTERY    | STATE<br>OPERATED<br>COMMUNITY<br>SERVICES | TOTAL               |
|--------------------|----------------------------------|---------------------|--|---------------------|
| \$ 50,218          | \$ 13,102                        | \$ 420,946          | \$ 81,267                                  | \$ 651,114          |
| -                  | -                                | 90                  | 842  | 2,202               |
| -                  | (10,230)                         | (250,487)           | -  | (260,717)           |
| (15,261)           | (2,556)                          | (25,087)            | (13,502)                                   | (98,379)            |
| (1,257)            | (184)                            | (10,038)            | (63,327)                                   | (114,856)           |
| -                  | (23)                             | (25,340)            | -  | (25,363)            |
| <u>\$ 33,700</u>   | <u>\$ 109</u>                    | <u>\$ 110,084</u>   | <u>\$ 5,280</u>                            | <u>\$ 154,001</u>   |
|                    |                                  |                     |  |                     |
| \$ (16,003)        | \$ -                             | \$ -                | \$ -                                       | \$ (16,003)         |
| -                  | -                                | -                   | -  | 3,782               |
| (42,970)           | -                                | (106,817)           | -  | (149,787)           |
| 37,298             | -                                | -                   | -  | 37,298              |
| (976)              | -                                | -                   | -  | (976)               |
| -                  | -                                | -                   | -  | (3,440)             |
| <u>\$ (22,651)</u> | <u>\$ -</u>                      | <u>\$ (106,817)</u> | <u>\$ -</u>                                | <u>\$ (129,126)</u> |
|                    |                                  |                     |  |                     |
| \$ -               | \$ -                             | \$ (756)            | \$ (1,235)                                 | \$ (3,441)          |
| -                  | -                                | 56                  | -  | 112                 |
| -                  | -                                | -                   | (126)                                      | (126)               |
| -                  | -                                | -                   | (247)                                      | (912)               |
| -                  | -                                | -                   | (367)                                      | (1,376)             |
| <u>\$ -</u>        | <u>\$ -</u>                      | <u>\$ (700)</u>     | <u>\$ (1,975)</u>                          | <u>\$ (5,743)</u>   |
|                    |                                  |                     |  |                     |
| \$ 1,016           | \$ 266                           | \$ 1,618            | \$ 872                                     | \$ 4,883            |
| \$ 1,016           | \$ 266                           | \$ 1,618            | \$ 872                                     | \$ 4,883            |
| \$ 12,065          | \$ 375                           | \$ 4,185            | \$ 4,177                                   | \$ 24,015           |
| \$ -               | \$ 4,893                         | \$ 15,494           | \$ 17,366                                  | \$ 64,248           |
| 7,994              | -                                | -                   | -  | 7,994               |
| <u>\$ 7,994</u>    | <u>\$ 4,893</u>                  | <u>\$ 15,494</u>    | <u>\$ 17,366</u>                           | <u>\$ 72,242</u>    |
| <u>\$ 20,059</u>   | <u>\$ 5,268</u>                  | <u>\$ 19,679</u>    | <u>\$ 21,543</u>                           | <u>\$ 96,257</u>    |
|                    |                                  |                     |  |                     |
| <u>\$ 34,475</u>   | <u>\$ 524</u>                    | <u>\$ 110,677</u>   | <u>\$ (1,638)</u>                          | <u>\$ 147,160</u>   |
|                    |                                  |                     |  |                     |
| \$ -               | \$ -                             | \$ 442              | \$ 1,635                                   | \$ 4,147            |
| -                  | -                                | -                   | -  | 71                  |
| (662)              | (562)                            | (1,331)             | 4,200                                      | 768                 |
| -                  | -                                | -                   | -  | 1,185               |
| -                  | -                                | (15)                | 47   | 1,398               |
| (115)              | 224                              | 635                 | 620  | 1,394               |
| 2                  | 4                                | 25                  | 416  | 629                 |
| -                  | (81)                             | (349)               | -  | (2,754)             |
| -                  | -                                | -                   | -  | 3                   |
| <u>\$ (775)</u>    | <u>\$ (415)</u>                  | <u>\$ (593)</u>     | <u>\$ 6,918</u>                            | <u>\$ 6,841</u>     |
| <u>\$ 33,700</u>   | <u>\$ 109</u>                    | <u>\$ 110,084</u>   | <u>\$ 5,280</u>                            | <u>\$ 154,001</u>   |
|                    |                                  |                     |  |                     |
| <u>\$ 174</u>      | <u>\$ -</u>                      | <u>\$ -</u>         | <u>\$ -</u>                                | <u>\$ 174</u>       |







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# Internal Service Funds

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## **Central Motor Pool Fund**

The fund accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

## **Central Services Fund**

The fund accounts for miscellaneous centralized support services provided to state agencies.

## **Central Stores Fund**

The fund accounts for the operation of centralized supplies purchasing, storage, and distribution.

## **Employee Insurance Fund**

The fund accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

## **Enterprise Technologies Fund**

The fund accounts for the operation of statewide communication and information systems.

## **Plant Management Fund**

The fund accounts for the cost of maintenance and operation of state owned buildings and grounds in the capitol complex.

## **Risk Management Fund**

The fund accounts for the providing of liability insurance, primarily automobile, to state agencies.

# STATE OF MINNESOTA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS JUNE 30, 2007 (IN THOUSANDS)

|   | CENTRAL<br>MOTOR POOL | CENTRAL<br>SERVICES | CENTRAL<br>STORES | EMPLOYEE<br>INSURANCE |
|---|-----------------------|---------------------|-------------------|-----------------------|
| <b>ASSETS</b>   |                       |                     |                   |                       |
| Current Assets:   |                       |                     |                   |                       |
| Cash and Cash Equivalents.....                          | \$ 1,857              | \$ 793              | \$ 482            | \$ 169,212            |
| Investments.....  | -                     | -                   | -                 | 20,061                |
| Accounts Receivable.....                                | 1,323                 | 1,788               | 656               | 3,916                 |
| Accrued Investment/Interest Income.....                 | -                     | -                   | -                 | 341                   |
| Inventories.....  | 12                    | 7                   | 642               | -                     |
| Deferred Costs.....                                     | -                     | 259                 | -                 | -                     |
| Securities Lending Collateral.....                      | -                     | -                   | -                 | 19,057                |
| Total Current Assets.....                               | \$ 3,192              | \$ 2,847            | \$ 1,780          | \$ 212,587            |
| Noncurrent Assets:                                      |                       |                     |                   |                       |
| Deferred Costs.....                                     | \$ -                  | \$ -                | \$ -              | \$ -                  |
| Depreciable Capital Assets (Net).....                   | 18,559                | 76                  | 7                 | 5                     |
| Total Noncurrent Assets.....                            | \$ 18,559             | \$ 76               | \$ 7              | \$ 5                  |
| Total Assets.....                                       | \$ 21,751             | \$ 2,923            | \$ 1,787          | \$ 212,592            |
| <b>LIABILITIES</b>                                      |                       |                     |                   |                       |
| Current Liabilities:                                    |                       |                     |                   |                       |
| Accounts Payable.....                                   | \$ 592                | \$ 174              | \$ 270            | \$ 56,282             |
| Interfund Payables.....                                 | -                     | 133                 | -                 | -                     |
| Unearned Revenue.....                                   | -                     | -                   | -                 | 4,275                 |
| Loans Payable.....                                      | 2,439                 | -                   | -                 | -                     |
| Compensated Absences Payable.....                       | 8                     | 33                  | 7                 | 23                    |
| Securities Lending Liabilities.....                     | -                     | -                   | -                 | 19,057                |
| Total Current Liabilities.....                          | \$ 3,039              | \$ 340              | \$ 277            | \$ 79,637             |
| Noncurrent Liabilities:                                 |                       |                     |                   |                       |
| Loans Payable.....                                      | \$ 9,752              | \$ -                | \$ -              | \$ -                  |
| Compensated Absences Payable.....                       | 95                    | 375                 | 73                | 297                   |
| Advances from Other Funds.....                          | 1,750                 | -                   | -                 | -                     |
| Total Noncurrent Liabilities.....                       | \$ 11,597             | \$ 375              | \$ 73             | \$ 297                |
| Total Liabilities.....                                  | \$ 14,636             | \$ 715              | \$ 350            | \$ 79,934             |
| <b>NET ASSETS</b>                                       |                       |                     |                   |                       |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 6,368              | \$ 76               | \$ 7              | \$ 5                  |
| Unrestricted .....                                      | 747                   | 2,132               | 1,430             | 132,653               |
| Total Net Assets.....                                   | \$ 7,115              | \$ 2,208            | \$ 1,437          | \$ 132,658            |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>MANAGEMENT | TOTAL             |
|----------------------------|---------------------|--------------------|-------------------|
| \$ 12,084                  | \$ 13,772           | \$ 17,144          | \$ 215,344        |
| -                          | -                   | -                  | 20,061            |
| 10,196                     | 2,054               | 539                | 20,472            |
| -                          | -                   | -                  | 341               |
| -                          | 285                 | -                  | 946               |
| 1,397                      | -                   | 106                | 1,762             |
| -                          | -                   | -                  | 19,057            |
| <u>\$ 23,677</u>           | <u>\$ 16,111</u>    | <u>\$ 17,789</u>   | <u>\$ 277,983</u> |
|                            |                     |                    |                   |
| \$ 455                     | \$ -                | \$ -               | \$ 455            |
| 8,345                      | 727                 | -                  | 27,719            |
| <u>\$ 8,800</u>            | <u>\$ 727</u>       | <u>\$ -</u>        | <u>\$ 28,174</u>  |
| <u>\$ 32,477</u>           | <u>\$ 16,838</u>    | <u>\$ 17,789</u>   | <u>\$ 306,157</u> |
|                            |                     |                    |                   |
| \$ 6,958                   | \$ 2,854            | \$ 9,197           | \$ 76,327         |
| -                          | -                   | -                  | 133               |
| 37                         | -                   | 218                | 4,530             |
| 2,415                      | -                   | -                  | 4,854             |
| 249                        | 138                 | 6                  | 464               |
| -                          | -                   | -                  | 19,057            |
| <u>\$ 9,659</u>            | <u>\$ 2,992</u>     | <u>\$ 9,421</u>    | <u>\$ 105,365</u> |
|                            |                     |                    |                   |
| \$ 3,270                   | \$ -                | \$ -               | \$ 13,022         |
| 2,821                      | 1,136               | 79                 | 4,876             |
| -                          | -                   | -                  | 1,750             |
| <u>\$ 6,091</u>            | <u>\$ 1,136</u>     | <u>\$ 79</u>       | <u>\$ 19,648</u>  |
| <u>\$ 15,750</u>           | <u>\$ 4,128</u>     | <u>\$ 9,500</u>    | <u>\$ 125,013</u> |
|                            |                     |                    |                   |
| \$ 2,812                   | \$ 727              | \$ -               | \$ 9,995          |
| 13,915                     | 11,983              | 8,289              | 171,149           |
| <u>\$ 16,727</u>           | <u>\$ 12,710</u>    | <u>\$ 8,289</u>    | <u>\$ 181,144</u> |

# STATE OF MINNESOTA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | CENTRAL<br>MOTOR POOL | CENTRAL<br>SERVICES | CENTRAL<br>STORES | EMPLOYEE<br>INSURANCE |
|---|-----------------------|---------------------|-------------------|-----------------------|
| Operating Revenues:                                 |                       |                     |                   |                       |
| Net Sales.....                                      | \$ -                  | \$ 10,710           | \$ 7,156          | \$ -                  |
| Rental and Service Fees.....                        | 12,893                | 2,240               | -                 | -                     |
| Insurance Premiums.....                             | -                     | -                   | -                 | 548,325               |
| Other Income.....                                   | 39                    | -                   | -                 | 5,850                 |
| Total Operating Revenues.....                       | \$ 12,932             | \$ 12,950           | \$ 7,156          | \$ 554,175            |
| Less: Cost of Goods Sold.....                       | -                     | -                   | 5,680             | -                     |
| Gross Margin.....                                   | \$ 12,932             | \$ 12,950           | \$ 1,476          | \$ 554,175            |
| Operating Expenses:                                 |                       |                     |                   |                       |
| Purchased Services.....                             | \$ 1,468              | \$ 8,951            | \$ 478            | \$ 83,499             |
| Salaries and Fringe Benefits.....                   | 780                   | 3,232               | 599               | 2,846                 |
| Claims.....   | -                     | -                   | -                 | 474,718               |
| Depreciation.....                                   | 4,525                 | 89                  | 3                 | 2                     |
| Amortization.....                                   | -                     | -                   | -                 | -                     |
| Supplies and Materials.....                         | 4,259                 | 105                 | 24                | 17                    |
| Indirect Costs.....                                 | 385                   | 75                  | 229               | 225                   |
| Other Expenses.....                                 | 86                    | 58                  | 115               | 1,641                 |
| Total Operating Expenses.....                       | \$ 11,503             | \$ 12,510           | \$ 1,448          | \$ 562,948            |
| Operating Income (Loss).....                        | \$ 1,429              | \$ 440              | \$ 28             | \$ (8,773)            |
| Nonoperating Revenues (Expenses):                   |                       |                     |                   |                       |
| Investment Income.....                              | \$ 517                | \$ -                | \$ -              | \$ 10,741             |
| Securities Lending Income.....                      | -                     | -                   | -                 | 852                   |
| Other Nonoperating Revenues.....                    | 54                    | -                   | -                 | -                     |
| Interest and Financing Costs.....                   | (204)                 | -                   | -                 | -                     |
| Securities Lending Rebates and Fees.....            | -                     | -                   | -                 | (843)                 |
| Other Nonoperating Expenses.....                    | -                     | -                   | -                 | -                     |
| Gain (Loss) on Disposal of Capital Assets.....      | (211)                 | -                   | -                 | -                     |
| Total Nonoperating Revenues (Expenses).....         | \$ 156                | \$ -                | \$ -              | \$ 10,750             |
| Income (Loss) Before Transfers & Contributions..... | \$ 1,585              | \$ 440              | \$ 28             | \$ 1,977              |
| Capital Contributions.....                          | -                     | -                   | -                 | -                     |
| Transfers-Out.....                                  | -                     | -                   | -                 | -                     |
| Change in Net Assets.....                           | \$ 1,585              | \$ 440              | \$ 28             | \$ 1,977              |
| Net Assets, Beginning, as Reported.....             | \$ 5,530              | \$ 1,768            | \$ 1,409          | \$ 130,681            |
| Net Assets, Ending.....                             | \$ 7,115              | \$ 2,208            | \$ 1,437          | \$ 132,658            |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>MANAGEMENT | TOTAL      |
|----------------------------|---------------------|--------------------|------------|
| \$ -                       | \$ -                | \$ -               | \$ 17,866  |
| 79,852                     | 63,828              | -                  | 158,813    |
| -                          | -                   | 10,860             | 559,185    |
| 413                        | -                   | 123                | 6,425      |
| \$ 80,265                  | \$ 63,828           | \$ 10,983          | \$ 742,289 |
| -                          | -                   | -                  | 5,680      |
| \$ 80,265                  | \$ 63,828           | \$ 10,983          | \$ 736,609 |
|                            |                     |                    |            |
| \$ 42,706                  | \$ 16,787           | \$ 4,818           | \$ 158,707 |
| 25,968                     | 12,877              | 873                | 47,175     |
| -                          | -                   | 3,399              | 478,117    |
| 4,501                      | 128                 | 1                  | 9,249      |
| 237                        | -                   | -                  | 237        |
| 2,052                      | 2,130               | 17                 | 8,604      |
| 49                         | 783                 | 75                 | 1,821      |
| 683                        | 219                 | 11                 | 2,813      |
| \$ 76,196                  | \$ 32,924           | \$ 9,194           | \$ 706,723 |
| \$ 4,069                   | \$ 30,904           | \$ 1,789           | \$ 29,886  |
|                            |                     |                    |            |
| \$ 220                     | \$ -                | \$ 920             | \$ 12,398  |
| -                          | -                   | -                  | 852        |
| 4                          | -                   | -                  | 58         |
| (210)                      | -                   | -                  | (414)      |
| -                          | -                   | -                  | (843)      |
| (7,497)                    | -                   | (1,036)            | (8,533)    |
| -                          | (8)                 | -                  | (219)      |
| \$ (7,483)                 | \$ (8)              | \$ (116)           | \$ 3,299   |
| \$ (3,414)                 | \$ 30,896           | \$ 1,673           | \$ 33,185  |
| 655                        | -                   | -                  | 655        |
| -                          | (30,980)            | -                  | (30,980)   |
| \$ (2,759)                 | \$ (84)             | \$ 1,673           | \$ 2,860   |
| \$ 19,486                  | \$ 12,794           | \$ 6,616           | \$ 178,284 |
| \$ 16,727                  | \$ 12,710           | \$ 8,289           | \$ 181,144 |

# STATE OF MINNESOTA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | CENTRAL<br>MOTOR POOL | CENTRAL<br>SERVICES | CENTRAL<br>STORES | EMPLOYEE<br>INSURANCE |
|---|-----------------------|---------------------|-------------------|-----------------------|
| <b>Cash Flows from Operating Activities:</b>  |                       |                     |                   |                       |
| Receipts from Customers.....  | \$ 12,790             | \$ 12,500           | \$ 6,958          | \$ 546,396            |
| Receipts from Other Revenues.....   | 39                    | -                   | -                 | 5,947                 |
| Payments to Claimants.....  | -                     | -                   | -                 | (471,508)             |
| Payments to Suppliers.....  | (6,252)               | (8,890)             | (6,965)           | (78,702)              |
| Payments to Employees.....  | (779)                 | (3,194)             | (580)             | (2,823)               |
| Payments to Others.....   | -                     | (24)                | -                 | (6,416)               |
| Net Cash Flows from Operating Activities.....   | \$ 5,798              | \$ 392              | \$ (587)          | \$ (7,106)            |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                       |                     |                   |                       |
| Transfers-Out.....  | \$ -                  | \$ -                | \$ -              | \$ -                  |
| Advances from Other Funds.....  | 2,000                 | -                   | -                 | -                     |
| Repayments of Advances from Other Funds.....  | (3,750)               | (136)               | -                 | -                     |
| Other Nonoperating Expenses.....  | 54                    | -                   | -                 | -                     |
| Net Cash Flows from Noncapital Financing Activities.....  | \$ (1,696)            | \$ (136)            | \$ -              | \$ -                  |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                  |                       |                     |                   |                       |
| Investment in Capital Assets.....   | \$ (7,790)            | \$ -                | \$ (9)            | \$ -                  |
| Proceeds from Disposal of Capital Assets.....   | 2,521                 | -                   | -                 | -                     |
| Proceeds from Loans.....  | 7,058                 | -                   | -                 | -                     |
| Repayment of Loan Principal.....  | (5,494)               | -                   | -                 | -                     |
| Interest Paid.....  | (509)                 | -                   | -                 | -                     |
| Net Cash Flows from Capital and Related Financing Activities.....                                 | \$ (4,214)            | \$ -                | \$ (9)            | \$ -                  |
| <b>Cash Flows from Investing Activities:</b>  |                       |                     |                   |                       |
| Proceeds from Sales and Maturities of Investments.....  | \$ -                  | \$ -                | \$ -              | \$ 12,704             |
| Purchase of Investments.....  | -                     | -                   | -                 | (12,640)              |
| Investment Earnings.....  | 517                   | -                   | -                 | 10,705                |
| Net Cash Flows from Investing Activities.....   | \$ 517                | \$ -                | \$ -              | \$ 10,769             |
| Net Increase (Decrease) in Cash and Cash Equivalents.....   | \$ 405                | \$ 256              | \$ (596)          | \$ 3,663              |
| Cash and Cash Equivalents, Beginning, as Reported.....  | \$ 1,452              | \$ 537              | \$ 1,078          | \$ 165,549            |
| Cash and Cash Equivalents, Ending.....  | \$ 1,857              | \$ 793              | \$ 482            | \$ 169,212            |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |                       |                     |                   |                       |
| Operating Income (Loss).....  | \$ 1,429              | \$ 440              | \$ 28             | \$ (8,773)            |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |                       |                     |                   |                       |
| Depreciation.....   | \$ 4,525              | \$ 89               | \$ 3              | \$ 2                  |
| Amortization.....   | -                     | -                   | -                 | -                     |
| <b>Change in Assets and Liabilities:</b>  |                       |                     |                   |                       |
| Accounts Receivable.....  | (103)                 | (450)               | (199)             | (1,159)               |
| Inventories.....  | 6                     | -                   | (56)              | -                     |
| Other Assets.....   | -                     | 334                 | -                 | -                     |
| Accounts Payable.....   | (71)                  | (86)                | (365)             | 3,546                 |
| Compensated Absences Payable.....   | 12                    | 65                  | 2                 | (5)                   |
| Unearned Revenues.....  | -                     | -                   | -                 | (717)                 |
| Other Liabilities.....  | -                     | -                   | -                 | -                     |
| Net Reconciling Items to be Added to<br>(Deducted from) Operating Income.....                     | \$ 4,369              | \$ (48)             | \$ (615)          | \$ 1,667              |
| Net Cash Flows from Operating Activities.....   | \$ 5,798              | \$ 392              | \$ (587)          | \$ (7,106)            |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                       |                       |                     |                   |                       |
| Disposal of Capital Assets.....   | \$ 431                | \$ -                | \$ -              | \$ -                  |
| Accrual of Computer Equipment as an Investment<br>in Capital Assets.....                          | -                     | -                   | -                 | -                     |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>MANAGEMENT | TOTAL       |
|----------------------------|---------------------|--------------------|-------------|
| \$ 81,201                  | \$ 68,344           | \$ 11,001          | \$ 739,190  |
| 413                        | 942                 | -                  | 7,341       |
| -                          | -                   | (4,296)            | (475,804)   |
| (43,299)                   | (19,500)            | (4,929)            | (168,537)   |
| (25,434)                   | (12,765)            | (861)              | (46,436)    |
| -                          | -                   | -                  | (6,440)     |
| \$ 12,881                  | \$ 37,021           | \$ 915             | \$ 49,314   |
|                            |                     |                    |             |
| \$ -                       | \$ (30,212)         | \$ -               | \$ (30,212) |
| -                          | -                   | -                  | 2,000       |
| -                          | -                   | -                  | (3,886)     |
| (7,497)                    | -                   | (1,045)            | (8,488)     |
| \$ (7,497)                 | \$ (30,212)         | \$ (1,045)         | \$ (40,586) |
|                            |                     |                    |             |
| \$ (3,498)                 | \$ (207)            | \$ -               | \$ (11,504) |
| -                          | 23                  | -                  | 2,544       |
| 2,499                      | -                   | -                  | 9,557       |
| (3,063)                    | (4)                 | -                  | (8,561)     |
| (208)                      | -                   | -                  | (717)       |
| \$ (4,270)                 | \$ (188)            | \$ -               | \$ (8,681)  |
|                            |                     |                    |             |
| \$ -                       | \$ -                | \$ -               | \$ 12,704   |
| -                          | -                   | -                  | (12,640)    |
| 267                        | -                   | 920                | 12,409      |
| \$ 267                     | \$ -                | \$ 920             | \$ 12,473   |
| \$ 1,381                   | \$ 6,621            | \$ 790             | \$ 12,520   |
| \$ 10,703                  | \$ 7,151            | \$ 16,354          | \$ 202,824  |
| \$ 12,084                  | \$ 13,772           | \$ 17,144          | \$ 215,344  |
|                            |                     |                    |             |
| \$ 4,069                   | \$ 30,904           | \$ 1,789           | \$ 29,886   |
|                            |                     |                    |             |
| \$ 4,501                   | \$ 128              | \$ 1               | \$ 9,249    |
| 237                        | -                   | -                  | 237         |
| 652                        | 5,497               | (295)              | 3,943       |
| -                          | (25)                | -                  | (75)        |
| (708)                      | -                   | 5                  | (369)       |
| 3,624                      | 445                 | (610)              | 6,483       |
| 343                        | 72                  | 7                  | 496         |
| 37                         | -                   | 18                 | (662)       |
| 126                        | -                   | -                  | 126         |
| \$ 8,812                   | \$ 6,117            | \$ (874)           | \$ 19,428   |
| \$ 12,881                  | \$ 37,021           | \$ 915             | \$ 49,314   |
|                            |                     |                    |             |
| \$ -                       | \$ -                | \$ -               | \$ 431      |
| 1,066                      | -                   | -                  | 1,066       |



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# Pension Trust Funds

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## **Minnesota State Retirement System**

### **Correctional Employees Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for offenders at Minnesota correctional facilities.

### **Elective State Officers Fund**

The fund includes resources accumulated to pay present and future retirement annuities for the state's constitutional officers.

### **Hennepin County Supplemental Retirement Fund**

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

### **Judicial Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county, and probate court judges, supreme court justices and various court referees.

### **Legislative Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

### **Postretirement Health Care Benefits Fund**

The fund includes contributions by or on behalf of employees and accumulated earnings for reimbursement of health-related expenses of the employee or dependents after retirement.

### **State Deferred Compensation Fund**

The fund includes contributions by participants toward a voluntary retirement savings plan.



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# Pension Trust Funds – Cont'd.

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## **State Employees Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

## **State Patrol Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers, and crime bureau personnel.

## **Unclassified Employees Retirement Fund**

The fund includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

## **Public Employees Retirement Association**

### **Defined Contribution Fund**

The fund is an IRC Section 401(a) deferred compensation plan administered by the Public Employees Retirement Association.

### **Police and Fire Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

### **Public Employees Correctional Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible correctional employees of various local units of government.

### **Public Employees Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

## **Teachers Retirement Association**

### **Teachers Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

## **State Colleges and Universities**

### **Colleges and Universities Retirement Fund**

The fund includes unclassified teachers, librarians, administrators, and certain other staff members who have been employed fulltime for a minimum of two academic years.

# STATE OF MINNESOTA

## PENSION TRUST FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

|   | MINNESOTA STATE RETIREMENT SYSTEM       |                               |                                    |                        |
|---|---|-------------------------------|------------------------------------|------------------------|
|   | CORRECTIONAL<br>EMPLOYEES<br>RETIREMENT | ELECTIVE<br>STATE<br>OFFICERS | HENNEPIN<br>COUNTY<br>SUPPLEMENTAL | JUDICIAL<br>RETIREMENT |
| <b>ASSETS</b>   |   |                               |                                    |                        |
| Cash and Cash Equivalents.....  | \$ 11                                   | \$ -                          | \$ 49                              | \$ 413                 |
| Investment Pools, at fair value:  |   |                               |                                    |                        |
| Cash Equivalent Investments.....  | \$ 38,864                               | \$ -                          | \$ 15,811                          | \$ 12,002              |
| Investments:  |   |                               |                                    |                        |
| Commercial Paper.....   | \$ 2,181                                | \$ -                          | \$ 96                              | \$ 582                 |
| Debt Securities.....  | 144,126                                 | -                             | 28,795                             | 38,467                 |
| Equity Securities.....  | 427,634                                 | -                             | 96,578                             | 112,695                |
| Mutual Funds.....   | -                                       | -                             | -                                  | -                      |
| Total Investments.....  | \$ 573,941                              | \$ -                          | \$ 125,469                         | \$ 151,744             |
| Accrued Interest and Dividends.....   | \$ 1,766                                | \$ -                          | \$ 465                             | \$ 472                 |
| Securities Trades Receivables (Payables).....                               | (20,302)                                | -                             | (898)                              | (5,426)                |
| Total Investment Pool Participation.....                                    | \$ 594,269                              | \$ -                          | \$ 140,847                         | \$ 158,792             |
| Receivables:  |   |                               |                                    |                        |
| Employer Contributions.....   | \$ 727                                  | \$ -                          | \$ 12                              | \$ 151                 |
| Member Contributions.....   | 517                                     | -                             | 12                                 | 55                     |
| Interfund Receivables.....  | -                                       | -                             | -                                  | 1                      |
| Other Receivables.....  | 2                                       | 212                           | 6                                  | 5                      |
| Accrued Interest and Dividends.....   | 15                                      | -                             | -                                  | 3                      |
| Total Receivables.....  | \$ 1,261                                | \$ 212                        | \$ 30                              | \$ 215                 |
| Securities Lending Collateral.....  | \$ 94,308                               | \$ -                          | \$ 21,953                          | \$ 25,037              |
| Depreciable Capital Assets (Net).....                                       | -                                       | -                             | -                                  | -                      |
| Nondepreciable Capital Assets.....  | -                                       | -                             | -                                  | -                      |
| Total Assets.....   | \$ 689,849                              | \$ 212                        | \$ 162,879                         | \$ 184,457             |
| <b>LIABILITIES</b>  |   |                               |                                    |                        |
| Accounts Payable.....   | \$ 90                                   | \$ -                          | \$ -                               | \$ 17                  |
| Interfund Payables.....   | 393                                     | 1                             | 5                                  | 40                     |
| Accrued Expense.....  | -                                       | -                             | -                                  | -                      |
| Revenue Bonds Payable.....  | -                                       | -                             | -                                  | -                      |
| Bond Interest.....  | -                                       | -                             | -                                  | -                      |
| Compensated Absences Payable.....   | -                                       | -                             | -                                  | -                      |
| Securities Lending Liabilities.....   | 94,308                                  | -                             | 21,953                             | 25,037                 |
| Total Liabilities.....  | \$ 94,791                               | \$ 1                          | \$ 21,958                          | \$ 25,094              |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants..... | \$ 595,058                              | \$ 211                        | \$ 140,921                         | \$ 159,363             |

| MINNESOTA STATE RETIREMENT SYSTEM |   |                                   |                                  |                               |   |
|-----------------------------------|---|-----------------------------------|----------------------------------|-------------------------------|---|
| LEGISLATIVE<br>RETIREMENT         | POSTRETIREMENT<br>HEALTH CARE<br>BENEFITS | STATE<br>DEFERRED<br>COMPENSATION | STATE<br>EMPLOYEES<br>RETIREMENT | STATE<br>PATROL<br>RETIREMENT | UNCLASSIFIED<br>EMPLOYEES<br>RETIREMENT |
| \$ -                              | \$ 285                                    | \$ -                              | \$ 389                           | \$ 6                          | \$ -                                    |
| \$ 2,627                          | \$ 67,909                                 | \$ 207,414                        | \$ 615,236                       | \$ 43,372                     | \$ 25,592                               |
| \$ 139                            | \$ 164                                    | \$ -                              | \$ 34,647                        | \$ 2,393                      | \$ 226                                  |
| 9,201                             | 54,526                                    | -                                 | 2,289,789                        | 158,151                       | 75,849                                  |
| 26,155                            | 50,192                                    | -                                 | 6,850,353                        | 465,132                       | 216,656                                 |
| -                                 | -   | 3,420,603                         | -                                | -                             | -                                       |
| \$ 35,495                         | \$ 104,882                                | \$ 3,420,603                      | \$ 9,174,789                     | \$ 625,676                    | \$ 292,731                              |
| \$ 113                            | \$ 611                                    | \$ 209                            | \$ 28,024                        | \$ 1,941                      | \$ 986                                  |
| (1,301)                           | (1,532)                                   | -                                 | (322,272)                        | (22,302)                      | (2,091)                                 |
| \$ 36,934                         | \$ 171,870                                | \$ 3,628,226                      | \$ 9,495,777                     | \$ 648,687                    | \$ 317,218                              |
| \$ -                              | \$ -                                      | \$ -                              | \$ 4,482                         | \$ 383                        | \$ 219                                  |
| -                                 | 4,267                                     | -                                 | 4,482                            | 256                           | 155                                     |
| -                                 | -   | -                                 | 4,043                            | -                             | -                                       |
| 7,960                             | -   | 559                               | 196                              | 11                            | 1                                       |
| -                                 | -   | -                                 | 289                              | 13                            | -                                       |
| \$ 7,960                          | \$ 4,267                                  | \$ 559                            | \$ 13,492                        | \$ 663                        | \$ 375                                  |
| \$ 5,913                          | \$ 13,537                                 | \$ -                              | \$ 1,503,424                     | \$ 103,122                    | \$ 49,086                               |
| -                                 | -   | -                                 | 5,313                            | -                             | -                                       |
| -                                 | -   | -                                 | 88                               | -                             | -                                       |
| \$ 50,807                         | \$ 189,959                                | \$ 3,628,785                      | \$ 11,018,483                    | \$ 752,478                    | \$ 366,679                              |
| \$ -                              | \$ -                                      | \$ 1,629                          | \$ 2,105                         | \$ 73                         | \$ -                                    |
| 25                                | 2,271                                     | 1,014                             | -                                | 102                           | 193                                     |
| -                                 | -   | -                                 | -                                | -                             | -                                       |
| -                                 | -   | -                                 | 5,267                            | -                             | -                                       |
| -                                 | -   | -                                 | 31                               | -                             | -                                       |
| -                                 | -   | -                                 | 651                              | -                             | -                                       |
| 5,913                             | 13,537                                    | -                                 | 1,503,424                        | 103,122                       | 49,086                                  |
| \$ 5,938                          | \$ 15,808                                 | \$ 2,643                          | \$ 1,511,478                     | \$ 103,297                    | \$ 49,279                               |
| \$ 44,869                         | \$ 174,151                                | \$ 3,626,142                      | \$ 9,507,005                     | \$ 649,181                    | \$ 317,400                              |

CONTINUED

# STATE OF MINNESOTA

## PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

|   | PUBLIC EMPLOYEES<br>RETIREMENT ASSOCIATION |                    |                                     |                                   |
|---|--|--------------------|-------------------------------------|-----------------------------------|
|   | DEFINED<br>CONTRIBUTION                    | POLICE<br>AND FIRE | PUBLIC<br>EMPLOYEES<br>CORRECTIONAL | PUBLIC<br>EMPLOYEES<br>RETIREMENT |
| <b>ASSETS</b>   |  |                    |                                     |                                   |
| Cash and Cash Equivalents.....  | \$ 30                                      | \$ 1,712           | \$ 327                              | \$ 3,174                          |
| Investment Pools, at fair value:  |  |                    |                                     |                                   |
| Cash Equivalent Investments.....  | \$ 2,613                                   | \$ 359,820         | \$ 12,161                           | \$ 901,017                        |
| Investments:  |  |                    |                                     |                                   |
| Commercial Paper.....   | \$ 30                                      | \$ 20,144          | \$ 615                              | \$ 50,228                         |
| Debt Securities.....  | 8,572                                      | 1,331,313          | 40,656                              | 3,319,535                         |
| Equity Securities.....  | 20,755                                     | 3,974,251          | 125,204                             | 9,858,899                         |
| Mutual Funds.....   | -  | -                  | -                                   | -                                 |
| Total Investments.....  | \$ 29,357                                  | \$ 5,325,708       | \$ 166,475                          | \$ 13,228,662                     |
| Accrued Interest and Dividends.....   | \$ 94                                      | \$ 16,305          | \$ 495                              | \$ 40,672                         |
| Securities Trades Receivables (Payables).....                               | (278)                                      | (179,305)          | (5,994)                             | (442,509)                         |
| Total Investment Pool Participation.....                                    | \$ 31,786                                  | \$ 5,522,528       | \$ 173,137                          | \$ 13,727,842                     |
| Receivables:  |  |                    |                                     |                                   |
| Employer Contributions.....   | \$ -                                       | \$ -               | \$ -                                | \$ -                              |
| Member Contributions.....   | -  | -                  | -                                   | -                                 |
| Interfund Receivables.....  | -  | 111                | 15                                  | 985                               |
| Other Receivables.....  | 100  | 16,324             | 1,034                               | 16,696                            |
| Accrued Interest and Dividends.....   | -  | -                  | -                                   | -                                 |
| Total Receivables.....  | \$ 100                                     | \$ 16,435          | \$ 1,049                            | \$ 17,681                         |
| Securities Lending Collateral.....  | \$ 4,803                                   | \$ 873,405         | \$ 27,033                           | \$ 2,172,946                      |
| Depreciable Capital Assets (Net).....                                       | -  | -                  | -                                   | 10,615                            |
| Nondepreciable Capital Assets.....  | -  | -                  | -                                   | 170                               |
| Total Assets.....   | \$ 36,719                                  | \$ 6,414,080       | \$ 201,546                          | \$ 15,932,428                     |
| <b>LIABILITIES</b>  |  |                    |                                     |                                   |
| Accounts Payable.....   | \$ -                                       | \$ 10,330          | \$ 47                               | \$ 29,805                         |
| Interfund Payables.....   | 117  | 682                | 186                                 | 126                               |
| Accrued Expense.....  | -  | -                  | -                                   | -                                 |
| Revenue Bonds Payable.....  | -  | -                  | -                                   | 10,378                            |
| Bond Interest.....  | -  | -                  | -                                   | -                                 |
| Compensated Absences Payable.....   | -  | -                  | -                                   | 714                               |
| Securities Lending Liabilities.....   | 4,803                                      | 873,405            | 27,033                              | 2,172,946                         |
| Total Liabilities.....  | \$ 4,920                                   | \$ 884,417         | \$ 27,266                           | \$ 2,213,969                      |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants..... | \$ 31,799                                  | \$ 5,529,663       | \$ 174,280                          | \$ 13,718,459                     |

| TEACHERS<br>RETIREMENT<br>ASSOCIATION | STATE<br>COLLEGES AND<br>UNIVERSITIES<br>RETIREMENT | TOTAL         |
|---------------------------------------|---|---------------|
| TEACHERS<br>RETIREMENT                |   |               |
| \$ 2,420                              | \$ 316  | \$ 9,132      |
| \$ 1,328,183                          | \$ -  | \$ 3,632,621  |
| \$ 72,955                             | \$ -  | \$ 184,400    |
| 4,821,598                             | -   | 12,320,578    |
| 14,327,890                            | -   | 36,552,394    |
| -                                     | 881,023   | 4,301,626     |
| \$ 19,222,443                         | \$ 881,023  | \$ 53,358,998 |
| \$ 59,834                             | \$ -  | \$ 151,987    |
| (679,752)                             | -   | (1,683,962)   |
| \$ 19,930,708                         | \$ 881,023  | \$ 55,459,644 |
| \$ 14,498                             | \$ -  | \$ 20,472     |
| -                                     | -   | 9,744         |
| -                                     | -   | 5,155         |
| -                                     | -   | 43,106        |
| 1                                     | -   | 321           |
| \$ 14,499                             | \$ -  | \$ 78,798     |
| \$ 3,160,952                          | \$ -  | \$ 8,055,519  |
| 10,937                                | -   | 26,865        |
| 171                                   | -   | 429           |
| \$ 23,119,687                         | \$ 881,339  | \$ 63,630,387 |
| \$ 8,659                              | \$ -  | \$ 52,755     |
| -                                     | -   | 5,155         |
| 42                                    | -   | 42            |
| 10,430                                | -   | 26,075        |
| 48                                    | -   | 79            |
| 674                                   | -   | 2,039         |
| 3,160,952                             | -   | 8,055,519     |
| \$ 3,180,805                          | \$ -  | \$ 8,141,664  |
| \$ 19,938,882                         | \$ 881,339  | \$ 55,488,723 |

# STATE OF MINNESOTA

## PENSION TRUST FUNDS COMBINING STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | MINNESOTA STATE RETIREMENT SYSTEM       |                               |                                    |                        |
|---|---|-------------------------------|------------------------------------|------------------------|
|   | CORRECTIONAL<br>EMPLOYEES<br>RETIREMENT | ELECTIVE<br>STATE<br>OFFICERS | HENNEPIN<br>COUNTY<br>SUPPLEMENTAL | JUDICIAL<br>RETIREMENT |
| Additions:  |   |                               |                                    |                        |
| Contributions:  |   |                               |                                    |                        |
| Employer.....   | \$ 13,927                               | \$ -                          | \$ 640                             | \$ 7,572               |
| Member.....   | 10,032                                  | -                             | 640                                | 2,792                  |
| Contributions From Other Sources.....   | -                                       | 427                           | -                                  | -                      |
| Total Contributions.....  | \$ 23,959                               | \$ 427                        | \$ 1,280                           | \$ 10,364              |
| Net Investment Income:  |   |                               |                                    |                        |
| Investment Income.....  | \$ 85,465                               | \$ -                          | \$ 20,646                          | \$ 25,681              |
| Less: Investment Expense.....   | (846)                                   | -                             | -                                  | (216)                  |
| Net Investment Income.....  | \$ 84,619                               | \$ -                          | \$ 20,646                          | \$ 25,465              |
| Securities Lending Revenues (Expenses):   |   |                               |                                    |                        |
| Securities Lending Income.....  | \$ 4,179                                | \$ -                          | \$ 756                             | \$ 1,110               |
| Borrower Rebates.....   | (3,905)                                 | -                             | (702)                              | (1,037)                |
| Management Fees.....  | (63)                                    | -                             | (12)                               | (17)                   |
| Net Securities Lending Revenue.....   | \$ 211                                  | \$ -                          | \$ 42                              | \$ 56                  |
| Total Investment Income.....  | \$ 84,830                               | \$ -                          | \$ 20,688                          | \$ 25,521              |
| Transfers From Other Funds.....   | \$ 131                                  | \$ -                          | \$ -                               | \$ -                   |
| Other Additions.....  | -                                       | -                             | 52                                 | -                      |
| Total Additions.....  | \$ 108,920                              | \$ 427                        | \$ 22,020                          | \$ 35,885              |
| Deductions:   |   |                               |                                    |                        |
| Benefits.....   | \$ 28,565                               | \$ 419                        | \$ 5,830                           | \$ 14,516              |
| Refunds/Withdrawals.....  | 752                                     | -                             | 1,677                              | 45                     |
| Administrative Expenses.....  | 744                                     | 4                             | 64                                 | 84                     |
| Transfers to Other Funds.....   | 18                                      | -                             | -                                  | 27                     |
| Total Deductions.....   | \$ 30,079                               | \$ 423                        | \$ 7,571                           | \$ 14,672              |
| Net Increase (Decrease).....  | \$ 78,841                               | \$ 4                          | \$ 14,449                          | \$ 21,213              |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Beginning, as Reported..... | \$ 516,217                              | \$ 207                        | \$ 126,472                         | \$ 138,150             |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Ending.....                 | \$ 595,058                              | \$ 211                        | \$ 140,921                         | \$ 159,363             |

| MINNESOTA STATE RETIREMENT SYSTEM |   |                                   |                                  |                               |   |
|-----------------------------------|---|-----------------------------------|----------------------------------|-------------------------------|---|
| LEGISLATIVE<br>RETIREMENT         | POSTRETIREMENT<br>HEALTH CARE<br>BENEFITS | STATE<br>DEFERRED<br>COMPENSATION | STATE<br>EMPLOYEES<br>RETIREMENT | STATE<br>PATROL<br>RETIREMENT | UNCLASSIFIED<br>EMPLOYEES<br>RETIREMENT |
| \$ -                              | \$ -                                      | \$ -                              | \$ 86,493                        | \$ 7,461                      | \$ 6,258                                |
| 239                               | 59,515                                    | 217,446                           | 89,448                           | 4,987                         | 5,476                                   |
| 1,772                             | -   | -                                 | -                                | -                             | -                                       |
| \$ 2,011                          | \$ 59,515                                 | \$ 217,446                        | \$ 175,941                       | \$ 12,448                     | \$ 11,734                               |
| \$ 6,846                          | \$ 12,693                                 | \$ 456,868                        | \$ 1,513,066                     | \$ 100,831                    | \$ 68,042                               |
| (50)                              | -   | -                                 | (13,038)                         | (914)                         | -                                       |
| \$ 6,796                          | \$ 12,693                                 | \$ 456,868                        | \$ 1,500,028                     | \$ 99,917                     | \$ 68,042                               |
| \$ 262                            | \$ 519                                    | \$ -                              | \$ 66,602                        | \$ 4,570                      | \$ 1,739                                |
| (245)                             | (481)                                     | -                                 | (62,229)                         | (4,271)                       | (1,609)                                 |
| (4)                               | (9)                                       | -                                 | (1,012)                          | (69)                          | (30)                                    |
| \$ 13                             | \$ 29                                     | \$ -                              | \$ 3,361                         | \$ 230                        | \$ 100                                  |
| \$ 6,809                          | \$ 12,722                                 | \$ 456,868                        | \$ 1,503,389                     | \$ 100,147                    | \$ 68,142                               |
| \$ 8                              | \$ -                                      | \$ -                              | \$ 17,268                        | \$ -                          | \$ 1,988                                |
| 3                                 | 1,031                                     | 6,036                             | 341                              | 3                             | 40                                      |
| \$ 8,831                          | \$ 73,268                                 | \$ 680,350                        | \$ 1,696,939                     | \$ 112,598                    | \$ 81,904                               |
| \$ 6,390                          | \$ 23,470                                 | \$ 35,285                         | \$ 392,058                       | \$ 40,582                     | \$ -                                    |
| 35                                | -   | 135,419                           | 11,102                           | 133                           | 29,994                                  |
| 30                                | 868                                       | 9,240                             | 5,715                            | 210                           | 197                                     |
| 26                                | -   | -                                 | 2,100                            | -                             | 17,224                                  |
| \$ 6,481                          | \$ 24,338                                 | \$ 179,944                        | \$ 410,975                       | \$ 40,925                     | \$ 47,415                               |
| \$ 2,350                          | \$ 48,930                                 | \$ 500,406                        | \$ 1,285,964                     | \$ 71,673                     | \$ 34,489                               |
| \$ 42,519                         | \$ 125,221                                | \$ 3,125,736                      | \$ 8,221,041                     | \$ 577,508                    | \$ 282,911                              |
| \$ 44,869                         | \$ 174,151                                | \$ 3,626,142                      | \$ 9,507,005                     | \$ 649,181                    | \$ 317,400                              |
| CONTINUED                         |   |                                   |                                  |                               |   |

# STATE OF MINNESOTA

## PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)

|   | PUBLIC EMPLOYEES<br>RETIREMENT ASSOCIATION |                    |                                     |                                   |
|---|--|--------------------|-------------------------------------|-----------------------------------|
|   | DEFINED<br>CONTRIBUTION                    | POLICE<br>AND FIRE | PUBLIC<br>EMPLOYEES<br>CORRECTIONAL | PUBLIC<br>EMPLOYEES<br>RETIREMENT |
| Additions:  |  |                    |                                     |                                   |
| Contributions:  |  |                    |                                     |                                   |
| Employer.....   | \$ 1,374                                   | \$ 74,707          | \$ 12,499                           | \$ 283,419                        |
| Member.....   | 1,254                                      | 50,689             | 8,335                               | 260,907                           |
| Contributions From Other Sources.....   | -  | -                  | -                                   | -                                 |
| Total Contributions.....  | \$ 2,628                                   | \$ 125,396         | \$ 20,834                           | \$ 544,326                        |
| Net Investment Income:  |  |                    |                                     |                                   |
| Investment Income.....  | \$ 4,255                                   | \$ 882,304         | \$ 25,409                           | \$ 2,237,083                      |
| Less: Investment Expense.....   | -  | (7,683)            | (223)                               | (18,946)                          |
| Net Investment Income.....  | \$ 4,255                                   | \$ 874,621         | \$ 25,186                           | \$ 2,218,137                      |
| Securities Lending Revenues (Expenses):   |  |                    |                                     |                                   |
| Securities Lending Income.....  | \$ 169                                     | \$ 38,693          | \$ 1,196                            | \$ 96,279                         |
| Borrower Rebates.....   | (157)                                      | (36,152)           | (1,118)                             | (89,962)                          |
| Management Fees.....  | (2)  | (588)              | (18)                                | (1,461)                           |
| Net Securities Lending Revenue.....   | \$ 10                                      | \$ 1,953           | \$ 60                               | \$ 4,856                          |
| Total Investment Income.....  | \$ 4,265                                   | \$ 876,574         | \$ 25,246                           | \$ 2,222,993                      |
| Transfers From Other Funds.....   | \$ -                                       | \$ -               | \$ -                                | \$ -                              |
| Other Additions.....  | -  | 1,671              | 22                                  | 4,229                             |
| Total Additions.....  | \$ 6,893                                   | \$ 1,003,641       | \$ 46,102                           | \$ 2,771,548                      |
| Deductions:   |  |                    |                                     |                                   |
| Benefits.....   | \$ -                                       | \$ 280,267         | \$ 1,836                            | \$ 784,013                        |
| Refunds/Withdrawals.....  | 2,014                                      | 874                | 474                                 | 25,745                            |
| Administrative Expenses.....  | 117  | 926                | 197                                 | 11,979                            |
| Transfers to Other Funds.....   | -  | -                  | -                                   | -                                 |
| Total Deductions.....   | \$ 2,131                                   | \$ 282,067         | \$ 2,507                            | \$ 821,737                        |
| Net Increase (Decrease).....  | \$ 4,762                                   | \$ 721,574         | \$ 43,595                           | \$ 1,949,811                      |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Beginning, as Reported..... | \$ 27,037                                  | \$ 4,808,089       | \$ 130,685                          | \$ 11,768,648                     |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Ending.....                 | \$ 31,799                                  | \$ 5,529,663       | \$ 174,280                          | \$ 13,718,459                     |



| TEACHERS<br>RETIREMENT<br>ASSOCIATION | STATE<br>COLLEGES AND<br>UNIVERSITIES<br>RETIREMENT | TOTAL         |
|---------------------------------------|---|---------------|
| TEACHERS<br>RETIREMENT                |   |               |
| \$ 187,339                            | \$ 32,186   | \$ 713,875    |
| 199,869                               | 27,295  | 938,924       |
| 25,413                                | 16,951  | 44,563        |
| \$ 412,621                            | \$ 76,432   | \$ 1,697,362  |
| \$ 3,077,309                          | \$ 98,222   | \$ 8,614,720  |
| (27,883)                              | -   | (69,799)      |
| \$ 3,049,426                          | \$ 98,222   | \$ 8,544,921  |
| \$ 139,993                            | \$ -  | \$ 356,067    |
| (130,802)                             | -   | (332,670)     |
| (2,126)                               | -   | (5,411)       |
| \$ 7,065                              | \$ -  | \$ 17,986     |
| \$ 3,056,491                          | \$ 98,222   | \$ 8,562,907  |
| \$ -                                  | \$ -  | \$ 19,395     |
| 4,368                                 | -   | 17,796        |
| \$ 3,473,480                          | \$ 174,654  | \$ 10,297,460 |
| \$ 1,269,560                          | \$ 33,233   | \$ 2,916,024  |
| 15,621                                | -   | 223,885       |
| 13,944                                | 367   | 44,686        |
| -                                     | -   | 19,395        |
| \$ 1,299,125                          | \$ 33,600   | \$ 3,203,990  |
| \$ 2,174,355                          | \$ 141,054  | \$ 7,093,470  |
| \$ 17,764,527                         | \$ 740,285  | \$ 48,395,253 |
| \$ 19,938,882                         | \$ 881,339  | \$ 55,488,723 |





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Investment Trust Funds

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## **Supplemental Retirement Fund**

The fund provides an investment vehicle for the assets of various public retirement plans and funds.

## **Miscellaneous Investment Trust Fund**

The fund provides an investment vehicle for external funds authorized to be invested by the state.

# STATE OF MINNESOTA

## INVESTMENT TRUST FUNDS STATEMENT OF PLAN NET ASSETS JUNE 30, 2007 (IN THOUSANDS)

|   | SUPPLEMENTAL<br>RETIREMENT | MISCELLANEOUS<br>INVESTMENT<br>TRUST | TOTAL      |
|---|----------------------------|--------------------------------------|------------|
| <b>ASSETS</b>   |                            |                                      |            |
| Investment Pools, at fair value:  |                            |                                      |            |
| Cash Equivalent Investments.....  | \$ 17,079                  | \$ 467                               | \$ 17,546  |
| Investments:  |                            |                                      |            |
| Commercial Paper.....   | \$ 1,676                   | \$ -                                 | \$ 1,676   |
| Debt Securities.....  | 123,194                    | 2,635                                | 125,829    |
| Equity Securities.....  | 351,462                    | 3,336                                | 354,798    |
| Total Investments.....  | \$ 476,332                 | \$ 5,971                             | \$ 482,303 |
| Accrued Interest and Dividends.....   | \$ 1,529                   | \$ 38                                | \$ 1,567   |
| Securities Trades Receivables (Payables).....                               | (15,445)                   | -                                    | (15,445)   |
| Total Investment Pool Participation.....                                    | \$ 479,495                 | \$ 6,476                             | \$ 485,971 |
| Securities Lending Collateral.....  | \$ 97,221                  | \$ 1,070                             | \$ 98,291  |
| Total Assets.....   | \$ 576,716                 | \$ 7,546                             | \$ 584,262 |
| <b>LIABILITIES</b>  |                            |                                      |            |
| Accounts Payable.....   | \$ 81                      | \$ -                                 | \$ 81      |
| Securities Lending Liabilities.....   | 97,221                     | 1,070                                | 98,291     |
| Total Liabilities.....  | \$ 97,302                  | \$ 1,070                             | \$ 98,372  |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants..... | \$ 479,414                 | \$ 6,476                             | \$ 485,890 |

# STATE OF MINNESOTA

## INVESTMENT TRUST FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | SUPPLEMENTAL<br>RETIREMENT | MISCELLANEOUS<br>INVESTMENT<br>TRUST | TOTAL      |
|---|----------------------------|--------------------------------------|------------|
| Additions:  |                            |                                      |            |
| Contributions:  |                            |                                      |            |
| Participating Plans.....  | \$ 97,948                  | \$ -                                 | \$ 97,948  |
| Total Contributions.....  | \$ 97,948                  | \$ -                                 | \$ 97,948  |
| Net Investment Income:  |                            |                                      |            |
| Investment Income.....  | \$ 65,120                  | \$ 801                               | \$ 65,921  |
| Less: Investment Expense.....   | (339)                      | -                                    | (339)      |
| Net Investment Income.....  | \$ 64,781                  | \$ 801                               | \$ 65,582  |
| Securities Lending Revenues (Expenses):   |                            |                                      |            |
| Securities Lending Income.....  | \$ 3,567                   | \$ 26                                | \$ 3,593   |
| Borrower Rebates.....   | (3,379)                    | (24)                                 | (3,403)    |
| Net Securities Lending Revenue.....   | \$ 188                     | \$ 2                                 | \$ 190     |
| Total Investment Income.....  | \$ 64,969                  | \$ 803                               | \$ 65,772  |
| Total Additions.....  | \$ 162,917                 | \$ 803                               | \$ 163,720 |
| Deductions:   |                            |                                      |            |
| Refunds/Withdrawals.....  | \$ 23,495                  | \$ -                                 | \$ 23,495  |
| Total Deductions.....   | \$ 23,495                  | \$ -                                 | \$ 23,495  |
| Net Increase (Decrease).....  | \$ 139,422                 | \$ 803                               | \$ 140,225 |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Beginning, as Reported..... | \$ 339,992                 | \$ 5,673                             | \$ 345,665 |
| Net Assets Held in Trust for Pension Benefits<br>and Pool Participants, Ending.....                 | \$ 479,414                 | \$ 6,476                             | \$ 485,890 |





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# Agency Fund

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## **Agency Fund**

This fund accounts for resources held in a custodial capacity for other governmental units, private organizations, or individuals.

## STATE OF MINNESOTA

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### AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

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|                                | <u>BEGINNING<br/>BALANCE</u> | <u>INCREASES</u>    | <u>DECREASES</u>    | <u>ENDING<br/>BALANCE</u> |
|--------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| <b>MISCELLANEOUS AGENCY</b>    |                              |                     |                     |                           |
| <b>ASSETS</b>                  |                              |                     |                     |                           |
| Cash and Cash Equivalents..... | \$ 69,569                    | \$ 1,163,791        | \$ 1,111,920        | \$ 121,440                |
| Accounts Receivable.....       | 11,705                       | 15,314              | 11,705              | 15,314                    |
| Total Assets.....              | <u>\$ 81,274</u>             | <u>\$ 1,179,105</u> | <u>\$ 1,123,625</u> | <u>\$ 136,754</u>         |
| <b>LIABILITIES</b>             |                              |                     |                     |                           |
| Accounts Payable.....          | \$ 81,274                    | \$ 1,179,105        | \$ 1,123,625        | \$ 136,754                |
| Total Liabilities.....         | <u>\$ 81,274</u>             | <u>\$ 1,179,105</u> | <u>\$ 1,123,625</u> | <u>\$ 136,754</u>         |





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# Nonmajor Component Unit Funds

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## **Agricultural and Economic Development Board**

The board administers programs for agricultural and economic development.

## **ClearWay Minnesota**

ClearWay Minnesota issues grants to health, community, and academic organizations throughout Minnesota in support of research and cessation activities that will encourage and help tobacco users quit.

## **National Sports Center Foundation**

The foundation is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

## **Office of Higher Education**

The office makes and guarantees loans to qualified post secondary students.

## **Public Facilities Authority**

The authority provides financial assistance to eligible municipalities with high cost wastewater infrastructure projects.

## **Rural Finance Authority**

The authority administers state agriculture programs.

## **Workers' Compensation Assigned Risk Plan**

The plan is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

# STATE OF MINNESOTA

## NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF NET ASSETS DECEMBER 31, 2006 and JUNE 30, 2007 (IN THOUSANDS)

|   | AGRICULTURAL<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | CLEARWAY<br>MINNESOTA | NATIONAL<br>SPORTS<br>CENTER<br>FOUNDATION | OFFICE OF<br>HIGHER<br>EDUCATION |
|---|--|-----------------------|--|----------------------------------|
| <b>ASSETS</b>   |  |                       |  |                                  |
| Current Assets:   |  |                       |  |                                  |
| Cash and Cash Equivalents.....                          | \$ 6,379   | \$ 28                 | \$ 666                                     | \$ 211,572                       |
| Investments.....  | -  | 178,380               | -  | 17,695                           |
| Accounts Receivable.....                                | -  | 17                    | 478  | 7,645                            |
| Due from Primary Government.....                        | -  | -                     | -  | -                                |
| Accrued Investment/Interest Income.....                 | 204  | -                     | -  | -                                |
| Federal Aid Receivable.....                             | -  | -                     | -  | -                                |
| Inventories.....  | -  | -                     | 32   | -                                |
| Deferred Costs.....                                     | -  | -                     | 160  | 232                              |
| Loans and Notes Receivable.....                         | 2,184  | -                     | -  | -                                |
| Securities Lending Collateral.....                      | -  | -                     | -  | 8,458                            |
| Other Assets.....                                       | -  | 85                    | 3,000                                      | -                                |
| Total Current Assets.....                               | \$ 8,767   | \$ 178,510            | \$ 4,336                                   | \$ 245,602                       |
| Noncurrent Assets:                                      |  |                       |  |                                  |
| Cash and Cash Equivalents-Restricted.....               | \$ -   | \$ -                  | \$ -                                       | \$ 6,519                         |
| Investments-Restricted.....                             | 20,042   | -                     | -  | -                                |
| Accounts Receivable-Restricted.....                     | -  | -                     | 2,684                                      | -                                |
| Due from Primary government.....                        | -  | -                     | -  | -                                |
| Investments.....  | -  | -                     | -  | -                                |
| Accounts Receivable.....                                | -  | -                     | -  | -                                |
| Loans and Notes Receivable.....                         | 13,555   | -                     | -  | 643,850                          |
| Depreciable Capital Assets (Net).....                   | -  | 84                    | 520  | -                                |
| Nondepreciable Capital Assets.....                      | -  | -                     | 370  | -                                |
| Other Assets.....                                       | -  | -                     | -  | 3,378                            |
| Total Noncurrent Assets.....                            | \$ 33,597  | \$ 84                 | \$ 3,574                                   | \$ 653,747                       |
| Total Assets.....                                       | \$ 42,364  | \$ 178,594            | \$ 7,910                                   | \$ 899,349                       |
| <b>LIABILITIES</b>                                      |  |                       |  |                                  |
| Current Liabilities:                                    |  |                       |  |                                  |
| Accounts Payable.....                                   | \$ -   | \$ 1,114              | \$ 723                                     | \$ 7,163                         |
| Due to Primary Government.....                          | -  | -                     | -  | -                                |
| Unearned Revenue.....                                   | -  | -                     | 239  | 453                              |
| Accrued Bond Interest Payable.....                      | 478  | -                     | -  | -                                |
| Loans and Notes Payable.....                            | -  | -                     | 658  | -                                |
| Revenue Bonds Payable.....                              | 1,810  | -                     | -  | -                                |
| Grants Payable.....                                     | -  | 3,357                 | -  | -                                |
| Claims Payable.....                                     | -  | -                     | -  | -                                |
| Compensated Absences Payable.....                       | -  | -                     | -  | 47                               |
| Securities Lending Liabilities.....                     | -  | -                     | -  | 8,458                            |
| Other Liabilities.....                                  | -  | 80                    | -  | -                                |
| Total Current Liabilities.....                          | \$ 2,288   | \$ 4,551              | \$ 1,620                                   | \$ 16,121                        |
| Noncurrent Liabilities:                                 |  |                       |  |                                  |
| Due to Primary Government.....                          | \$ -   | \$ -                  | \$ -                                       | \$ -                             |
| Loans and Notes Payable.....                            | -  | -                     | 5,747                                      | -                                |
| Revenue Bonds Payable.....                              | 16,910   | -                     | -  | 557,000                          |
| Claims Payable.....                                     | -  | -                     | -  | -                                |
| Compensated Absences Payable.....                       | -  | -                     | -  | 535                              |
| Other Liabilities.....                                  | -  | 1,199                 | -  | -                                |
| Total Noncurrent Liabilities.....                       | \$ 16,910  | \$ 1,199              | \$ 5,747                                   | \$ 557,535                       |
| Total Liabilities.....                                  | \$ 19,198  | \$ 5,750              | \$ 7,367                                   | \$ 573,656                       |
| <b>NET ASSETS</b>                                       |  |                       |  |                                  |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ -   | \$ 84                 | \$ 890                                     | \$ -                             |
| Restricted.....   | 19,776   | -                     | -  | 323,432                          |
| Unrestricted.....                                       | 3,390  | 172,760               | (347)                                      | 2,261                            |
| Total Net Assets.....                                   | \$ 23,166  | \$ 172,844            | \$ 543                                     | \$ 325,693                       |

| PUBLIC<br>FACILITIES<br>AUTHORITY | RURAL<br>FINANCE<br>AUTHORITY | WORKERS'<br>COMPENSATION<br>ASSIGNED RISK<br>PLAN | TOTAL               |
|-----------------------------------|-------------------------------|---|---------------------|
| \$ 158,084                        | \$ 10,091                     | \$ 9,532  | \$ 396,352          |
| 9,250                             | -                             | 332,557   | 537,882             |
| -                                 | -                             | 39,721  | 47,861              |
| 3,479                             | -                             | -   | 3,479               |
| 17,458                            | -                             | 2,251   | 19,913              |
| 391                               | -                             | -   | 391                 |
| -                                 | -                             | -   | 32                  |
| -                                 | -                             | 5,695   | 6,087               |
| 74,938                            | 7,845                         | -   | 84,967              |
| 17,874                            | -                             | -   | 26,332              |
| -                                 | -                             | 346   | 3,431               |
| <u>\$ 281,474</u>                 | <u>\$ 17,936</u>              | <u>\$ 390,102</u>                                 | <u>\$ 1,126,727</u> |
| \$ -                              | \$ -                          | \$ -  | \$ 6,519            |
| -                                 | -                             | -   | 20,042              |
| -                                 | -                             | -   | 2,684               |
| 22,491                            | -                             | -   | 22,491              |
| 146,499                           | -                             | -   | 146,499             |
| -                                 | -                             | 371,394   | 371,394             |
| 1,338,901                         | 46,053                        | -   | 2,042,359           |
| -                                 | -                             | -   | 604                 |
| -                                 | -                             | -   | 370                 |
| 2,528                             | -                             | -   | 5,906               |
| <u>\$ 1,510,419</u>               | <u>\$ 46,053</u>              | <u>\$ 371,394</u>                                 | <u>\$ 2,618,868</u> |
| <u>\$ 1,791,893</u>               | <u>\$ 63,989</u>              | <u>\$ 761,496</u>                                 | <u>\$ 3,745,595</u> |
| \$ 2,957                          | \$ -                          | \$ 3,068  | \$ 15,025           |
| -                                 | 13,632                        | 5,484   | 19,116              |
| -                                 | -                             | 32,112  | 32,804              |
| 14,530                            | -                             | -   | 15,008              |
| -                                 | -                             | -   | 658                 |
| 44,505                            | -                             | -   | 46,315              |
| -                                 | -                             | -   | 3,357               |
| -                                 | -                             | 79,269  | 79,269              |
| 23                                | -                             | -   | 70                  |
| 17,874                            | -                             | -   | 26,332              |
| 973                               | -                             | -   | 1,053               |
| <u>\$ 80,862</u>                  | <u>\$ 13,632</u>              | <u>\$ 119,933</u>                                 | <u>\$ 239,007</u>   |
| \$ -                              | \$ 49,190                     | \$ -  | \$ 49,190           |
| -                                 | -                             | -   | 5,747               |
| 869,464                           | -                             | -   | 1,443,374           |
| -                                 | -                             | 599,731   | 599,731             |
| 229                               | -                             | -   | 764                 |
| 2,573                             | -                             | -   | 3,772               |
| <u>\$ 872,266</u>                 | <u>\$ 49,190</u>              | <u>\$ 599,731</u>                                 | <u>\$ 2,102,578</u> |
| <u>\$ 953,128</u>                 | <u>\$ 62,822</u>              | <u>\$ 719,664</u>                                 | <u>\$ 2,341,585</u> |
| \$ -                              | \$ -                          | \$ -  | \$ 974              |
| 837,362                           | -                             | -   | 1,180,570           |
| 1,403                             | 1,167                         | 41,832  | 222,466             |
| <u>\$ 838,765</u>                 | <u>\$ 1,167</u>               | <u>\$ 41,832</u>                                  | <u>\$ 1,404,010</u> |

# STATE OF MINNESOTA

## NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2006 AND JUNE 30, 2007 (IN THOUSANDS)

|   | AGRICULTURAL<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | CLEARWAY<br>MINNESOTA | NATIONAL<br>SPORTS<br>CENTER<br>FOUNDATION | OFFICE OF<br>HIGHER<br>EDUCATION |
|---|--|-----------------------|--|----------------------------------|
| Net Expenses:                             |  |                       |  |                                  |
| Total Expenses.....                       | \$ 1,575   | \$ 16,769             | \$ 9,575                                   | \$ 234,924                       |
| Program Revenues:                         |  |                       |  |                                  |
| Charges for Services.....                 | \$ 1,259   | \$ -                  | \$ 8,676                                   | \$ 59,255                        |
| Operating Grants and Contributions.....   | -  | -                     | -  | 4,847                            |
| Net (Expense) Revenue.....                | \$ (316)   | \$ (16,769)           | \$ (899)                                   | \$ (170,822)                     |
| General Revenues:                         |  |                       |  |                                  |
| Investment Income.....                    | \$ 1,040   | \$ 23,109             | \$ 11                                      | \$ -                             |
| Other Revenues.....                       | -  | -                     | 927  | -                                |
| Total General Revenues before Grants..... | \$ 1,040   | \$ 23,109             | \$ 938                                     | \$ -                             |
| State Grants Not Restricted.....          | -  | -                     | -  | 191,749                          |
| Total General Revenues.....               | \$ 1,040   | \$ 23,109             | \$ 938                                     | \$ 191,749                       |
| Change in Net Assets.....                 | \$ 724   | \$ 6,340              | \$ 39                                      | \$ 20,927                        |
| Net Assets, Beginning, as Reported.....   | \$ 22,442  | \$ 166,504            | \$ 504                                     | \$ 304,766                       |
| Net Assets, Ending.....                   | \$ 23,166  | \$ 172,844            | \$ 543                                     | \$ 325,693                       |

| PUBLIC<br>FACILITIES<br>AUTHORITY | RURAL<br>FINANCE<br>AUTHORITY | WORKERS'<br>COMPENSATION<br>ASSIGNED RISK<br>PLAN | TOTAL        |
|-----------------------------------|-------------------------------|---|--------------|
| \$ 66,871                         | \$ 2,351                      | \$ 96,873   | \$ 428,938   |
| \$ 38,171                         | \$ 3,453                      | \$ 75,979   | \$ 186,793   |
| 47,268                            | -                             | -   | 52,115       |
| \$ 18,568                         | \$ 1,102                      | \$ (20,894)                                       | \$ (190,030) |
| \$ -                              | \$ -                          | \$ 22,921   | \$ 47,081    |
| 1,091                             | -                             | -   | 2,018        |
| \$ 1,091                          | \$ -                          | \$ 22,921   | \$ 49,099    |
| 28,437                            | -                             | -   | 220,186      |
| \$ 29,528                         | \$ -                          | \$ 22,921   | \$ 269,285   |
| \$ 48,096                         | \$ 1,102                      | \$ 2,027  | \$ 79,255    |
| \$ 790,669                        | \$ 65                         | \$ 39,805   | \$ 1,324,755 |
| \$ 838,765                        | \$ 1,167                      | \$ 41,832   | \$ 1,404,010 |

# STATE OF MINNESOTA

## NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | AGRICULTURAL<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | RURAL<br>FINANCE<br>AUTHORITY | TOTAL      |
|---|--|-------------------------------|------------|
| Operating Revenues:                         |  |                               |            |
| Loan Interest Income.....                   | \$ 1,208   | \$ 3,448                      | \$ 4,656   |
| Rental and Service Fees.....                | -  | 5                             | 5          |
| Other Income.....                           | 51   | -                             | 51         |
| Total Operating Revenues.....               | \$ 1,259   | \$ 3,453                      | \$ 4,712   |
| Operating Expenses:                         |  |                               |            |
| Economic and Manpower Development.....      | \$ 400   | \$ 2,351                      | \$ 2,751   |
| Total Operating Expenses.....               | \$ 400   | \$ 2,351                      | \$ 2,751   |
| Operating Income (Loss).....                | \$ 859   | \$ 1,102                      | \$ 1,961   |
| Nonoperating Revenues (Expenses):           |  |                               |            |
| Bond Interest Expense.....                  | \$ (1,175)   | \$ -                          | \$ (1,175) |
| Investment/Interest Income.....             | 1,040  | -                             | 1,040      |
| Total Nonoperating Revenues (Expenses)..... | \$ (135)   | \$ -                          | \$ (135)   |
| Change in Net Assets.....                   | \$ 724   | \$ 1,102                      | \$ 1,826   |
| Net Assets, Beginning, as Reported.....     | \$ 22,442  | \$ 65                         | \$ 22,507  |
| Net Assets, Ending.....                     | \$ 23,166  | \$ 1,167                      | \$ 24,333  |

# STATE OF MINNESOTA

## NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (IN THOUSANDS)

|   | AGRICULTURAL<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | RURAL<br>FINANCE<br>AUTHORITY | TOTAL      |
|---|--|-------------------------------|------------|
| Cash Flows from Operating Activities:                     |  |                               |            |
| Receipts from Customers.....                              | \$ 3,490   | \$ 9,566                      | \$ 13,056  |
| Receipts from Other Revenues.....                         | -  | 12,946                        | 12,946     |
| Payments to Customers.....                                | (185)  | (10,122)                      | (10,307)   |
| Payments to Suppliers.....                                | (50)   | -                             | (50)       |
| Payments to Others.....                                   | (785)  | (12,193)                      | (12,978)   |
| Net Cash Flows from Operating Activities.....             | \$ 2,470   | \$ 197                        | \$ 2,667   |
| Cash Flows from Non-Capital Financing:                    |  |                               |            |
| Payment of Bond Interest.....                             | \$ (1,316)   | \$ -                          | \$ (1,316) |
| Repayment of Bond Principal.....                          | (5,495)  | -                             | (5,495)    |
| Net Cash Flows from Non-Capital Financing Activities..... | \$ (6,811)   | \$ -                          | \$ (6,811) |
| Cash Flows from Investing Activities:                     |  |                               |            |
| Proceeds from Sales and Maturities of Investments.....    | \$ 9,625   | \$ -                          | \$ 9,625   |
| Purchase of Investments.....                              | (10,534)   | -                             | (10,534)   |
| Investment Interest.....                                  | 965  | -                             | 965        |
| Net Cash Flows from Investing Activities.....             | \$ 56  | \$ -                          | \$ 56      |
| Net Increase (Decrease) in Cash and Cash Equivalents..... | \$ (4,285)   | \$ 197                        | \$ (4,088) |
| Cash and Cash Equivalents, Beginning, as Reported.....    | \$ 10,664  | \$ 9,894                      | \$ 20,558  |
| Cash and Cash Equivalents, Ending.....                    | \$ 6,379   | \$ 10,091                     | \$ 16,470  |
| <b>Reconciliation of Operating Income (Loss) to</b>       |  |                               |            |
| <b>Net Cash Flows from Operating Activities:</b>          |  |                               |            |
| Operating Income (Loss).....                              | \$ 859   | \$ 1,102                      | \$ 1,961   |
| Adjustments to Reconcile Operating Income to              |  |                               |            |
| Net Cash Flows from Operating Activities:                 |  |                               |            |
| Loans Receivable.....                                     | \$ 1,561   | \$ (3,427)                    | \$ (1,866) |
| Other Receivables.....                                    | 50   | -                             | 50         |
| Due to Primary Government.....                            | -  | 2,522                         | 2,522      |
| Net Reconciling Items to be Added to                      |  |                               |            |
| (Deducted from) Operating Income.....                     | \$ 1,611   | \$ (905)                      | \$ 706     |
| Net Cash Flows from Operating Activities.....             | \$ 2,470   | \$ 197                        | \$ 2,667   |







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# General Obligation Debt Schedule

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# GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

June 30, 2007

(\$ in Thousands)

| Purpose of Issue                      | Law Authorizing      | Total Authorization   | Previously Issued     | Remaining Authorization |
|---------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|
| Building <sup>11, 12, 13, 14</sup>    | 1990, Ch. 610        | \$ 270,129.1          | \$ 270,126.0          | \$ 3.1                  |
| Building <sup>4, 8, 10, 12</sup>      | 1994, Ch. 643        | 523,874.5             | 523,849.0             | 25.5                    |
| Building <sup>2, 3, 4, 8, 11</sup>    | 1996, Ch. 463        | 478,672.9             | 478,525.0             | 147.9                   |
| Building <sup>2, 3, 4, 8</sup>        | X1997, Ch. 2         | 37,544.5              | 37,335.0              | 209.5                   |
| Building <sup>3, 4, 5, 8</sup>        | 1998, Ch. 404        | 100,656.0             | 100,656.0             | 0.0                     |
| Building <sup>4, 5, 8, 9</sup>        | 1999, Ch. 240        | 439,530.1             | 438,865.0             | 665.1                   |
| Transportation <sup>2, 3, 4, 9</sup>  | 1999, Ch. 240        | 28,000.0              | 28,000.0              | 0.0                     |
| Transportation <sup>7</sup>           | 2000, Ch. 479        | 7,000.0               | 7,000.0               | 0.0                     |
| Trunk Highway <sup>2</sup>            | 2000, Ch. 479        | 100,100.0             | 99,695.0              | 405.0                   |
| Various Purpose <sup>2, 3, 4, 7</sup> | 2000, Ch. 492        | 528,426.3             | 514,630.0             | 13,796.3                |
| Various Purpose <sup>2, 4, 6</sup>    | X2001, Ch. 12        | 117,205.0             | 115,125.0             | 2,080.0                 |
| Various Purpose <sup>2</sup>          | 2002, Ch. 374        | 75,120.0              | 71,935.0              | 3,185.0                 |
| Various Purpose <sup>2, 4, 5</sup>    | 2002, Ch. 393        | 624,712.0             | 591,605.0             | 33,107.0                |
| Trunk Highway                         | X2002, Ch. 1         | 10,115.0              | 10,105.0              | 10.0                    |
| Various Purpose <sup>2</sup>          | X2002, Ch. 1         | 16,315.0              | 13,930.0              | 2,385.0                 |
| Trunk Highway                         | X2003, Ch. 19, Art.3 | 400,400.0             | 385,250.0             | 15,150.0                |
| Trunk Highway                         | X2003, Ch. 19, Art.4 | 110,110.0             | 105,700.0             | 4,410.0                 |
| Various Purpose                       | X2003, Ch. 20        | 236,915.0             | 201,310.0             | 35,605.0                |
| Various Purpose                       | 2005, Ch. 20         | 944,980.0             | 605,279.0             | 339,701.0               |
| Rural Finance Authority               | X2005, Ch. 3         | 18,000.0              | 18,000.0              | 0.0                     |
| Various Purpose <sup>1</sup>          | 2006, Ch. 258        | 1,006,630.0           | 166,800.0             | 839,830.0               |
| Rural Finance Authority               | 2007, Ch. 16         | 30,000.0              | 0.0                   | 30,000.0                |
| <b>Totals</b>                         |                      | <b>\$ 6,104,435.5</b> | <b>\$ 4,783,720.0</b> | <b>\$ 1,320,715.5</b>   |

- (1) Laws 2007, Chapter 45 reduced Building Bonds authorization in Laws 2006, Chapter 258 by \$150,000.
- (2) Minnesota Statutes 16A.642, required that on January 1, 2007 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Laws 1996, Chapter 463 by \$137,935; Special Session Laws 1997, Chapter 2 by \$112,548; and Laws 1999, Chapter 240 by \$93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$524,411; Special Session Laws 2001, Chapter 12 by \$274,734; Laws 2002, Chapter 374 by \$88,266; Laws 2002, Chapter 393 by \$6,052,781; and Special Session Laws 2002, Chapter 1 by \$875,030. The cancellation report also reduced Trunk Highway Bonds authorized by Laws 2000, Chapter 479 by \$503,054 and Transportation Bonds authorized by Laws 2002, Chapter 374 by \$590,000.
- (2) Minnesota Statutes 16A.642, required that on January 1, 2005 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Laws 1996, Chapter 463 by \$142,103; Special Session Laws 1997, Chapter 2 by \$763,514; Laws 1998, Chapter 404 by \$173,188; and Laws 1999, Chapter 240 by \$292,887. The cancellation report also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by \$3,333,695.
- (3) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$126,700; Laws 1989, Chapter 300 by \$630,375; Laws 1992, Chapter 558 by \$5,223,991; Laws 1993, Chapter 373 by \$1,250,572; Laws 1994, Chapter 643 by \$2,631,376; Laws 1996, Chapter 463 by \$607,136; Laws 1997, Chapter 246 by \$173,000; Special Session Laws 1997, Chapter 2 by \$18; Laws 1998, Chapter 404 by \$224,000; and Laws 1999, Chapter 240 by \$24,887,000. Laws 2005, Chapter 20 also reduced Municipal Energy Building Bonds authorized by Laws 1983, Chapter 323 by \$44,850; Laws 1994, Chapter 643 by \$25,000; Laws 1996, Chapter 463 by \$58,300 and Pollution Control Bonds authorized by Laws 1987, Chapter 400 by \$7,000; Special Session Laws 1995, Chapter 2 by \$8,552; Laws 1997, Chapter 246 by \$235,000 and Reinvest in Minnesota Bonds authorized by Laws 1991, Chapter 354 by \$629,005 and Waste Management Bonds authorized by Laws 1992, Chapter 558 by \$375,000 and Transportation Bonds authorized by Laws 1992, Chapter 558 by \$132,000; Laws 1993, Chapter 373 by \$420,000; Laws 1994, Chapter 643 by \$128,720; Laws 1999, Chapter 240 by \$10,440,000 and Various Purpose Bonds authorized by Laws 2000, Chapter 492 by \$3,300,000; Special Session Laws 2001, Chapter 12 by \$1,000,000; and Laws 2002, Chapter 393 by \$352,923,000.
- (4) The Governor vetoed \$352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 5 below by increasing the bond authorization of Laws 1998, Chapter 404 by \$2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the \$2,700,000.
- (5) The Governor vetoed \$1,000,000 of appropriations for capital projects to be funded from Special Session Laws 2001, Chapter 12. The bond authorization was reduced to match the appropriations in the Laws 2005, Chapter 20.

- (6) Laws of 2001, Chapter 55 converted \$7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transportation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.
- (7) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,964,000; Laws 1996, Chapter 463 by \$1,855,000; Special Session Laws 1997, Chapter 2 by \$10,000,000; Laws 1998, Chapter 404 by \$2,700,000; and Laws 1999, Chapter 240 by \$4,000,000. The \$2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.
- (8) The Governor vetoed \$23,605,000 of appropriations for capital projects and \$10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.
- (9) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by \$1,350,000. Laws 1998, Chapter 404 also reduced Transportation Bond authorization in Laws 1994, Chapter 643 by \$10,000,000.
- (10) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$295,000; Laws 1989, Chapter 300 by \$3,335,000; Laws 1990, Chapter 610 by \$9,260,000; Laws 1992, Chapter 558 by \$6,590,000; Laws 1993, Chapter 373 by \$10,000; and Laws 1996, Chapter 463 by \$37,285,000. Laws 1997, Chapter 202 also reduced; Transportation Bonds authorized in Laws 1990, Chapter 610 by \$165,000; Reinvest in Minnesota Bond authorization in Laws 1990, Chapter 610 by \$20,000; and Airport Facility Bond authorization in Laws 1991, Chapter 350 by \$48,765,000.
- (11) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$50,000; Laws 1989, Chapter 300 by \$65,000; Laws 1990, Chapter 610 by \$580,000; Laws 1992, Chapter 558 by \$5,000; and Laws 1994, Chapter 643 by \$1,245,000. Special Session Laws 1995, Chapter 2 also reduced the Transportation Bond authorization in Laws 1987, Chapter 400 by \$10,000.
- (12) Laws 1994, Chapter 643 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$240,000; Laws 1989, Chapter 300 by \$895,000; Laws 1990, Chapter 610 by \$115,000; Laws 1992, Chapter 558 by \$65,000; and Laws 1993, Chapter 373 by \$15,000.
- (13) Laws 1993, Chapter 373 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$700,000; Laws 1989, Chapter 300 by \$2,550,000; and Laws 1990, Chapter 610 by \$2,500,000.





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Statistical Section

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The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

## **Financial Trends**

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

## **Revenue Capacity**

These schedules contain information to assess the state's most significant revenue source, the individual income tax. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

## **Debt Capacity**

These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

## **Economic and Demographic Information**

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

## **Operating Information**

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.





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## 2007 Comprehensive Annual Financial Report

### Index of Statistical Section

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**Schedule 1 - Net Assets By Component**  
**Last Six Years**  
**Accrual Basis of Accounting**  
**(In Thousands)**

|   | <u>2002</u>                | <u>2003</u>                | <u>2004</u>                |
|---|----------------------------|----------------------------|----------------------------|
| Governmental Activities:                        |                            |                            |                            |
| Invested in Capital Assets, Net of Related Debt | \$ 3,516,294               | \$ 4,998,667               | \$ 5,525,157               |
| Restricted                                      | 2,300,180                  | 2,280,661                  | 2,387,732                  |
| Unrestricted                                    | <u>2,364,102</u>           | <u>(526,251)</u>           | <u>(987,312)</u>           |
| Total Governmental Activities Net Assets        | <u>\$ 8,180,576</u>        | <u>\$ 6,753,077</u>        | <u>\$ 6,925,577</u>        |
| Business-type Activities:                       |                            |                            |                            |
| Invested in Capital Assets, Net of Related Debt | \$ 776,233                 | \$ 812,780                 | \$ 872,804                 |
| Restricted                                      | 431,695                    | 151,812                    | 86,291                     |
| Unrestricted                                    | <u>157,403</u>             | <u>179,009</u>             | <u>218,797</u>             |
| Total Business-type Activities Net Assets       | <u>\$ 1,365,331</u>        | <u>\$ 1,143,601</u>        | <u>\$ 1,177,892</u>        |
| Primary Government:                             |                            |                            |                            |
| Invested in Capital Assets, Net of Related Debt | \$ 4,292,527               | \$ 5,811,447               | \$ 6,397,961               |
| Restricted                                      | 2,731,875                  | 2,432,473                  | 2,474,023                  |
| Unrestricted                                    | <u>2,521,505</u>           | <u>(347,242)</u>           | <u>(768,515)</u>           |
| Total Primary Government Net Assets             | <u><u>\$ 9,545,907</u></u> | <u><u>\$ 7,896,678</u></u> | <u><u>\$ 8,103,469</u></u> |

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.



| <u>2005</u>                | <u>2006</u>                 | <u>2007</u>                 |
|----------------------------|-----------------------------|-----------------------------|
| \$ 5,943,503               | \$ 6,468,103                | \$6,781,966                 |
| 2,452,423                  | 2,482,626                   | 2,703,598                   |
| <u>(673,695)</u>           | <u>649,481</u>              | <u>1,317,416</u>            |
| <u>\$ 7,722,231</u>        | <u>\$ 9,600,210</u>         | <u>\$ 10,802,980</u>        |
| <br>                       |                             |                             |
| \$ 884,486                 | \$ 931,297                  | \$1,016,955                 |
| 520,745                    | 852,943                     | 1,058,032                   |
| <u>(1,096)</u>             | <u>(1,089)</u>              | <u>(1,403)</u>              |
| <u>\$ 1,404,135</u>        | <u>\$ 1,783,151</u>         | <u>\$ 2,073,584</u>         |
| <br>                       |                             |                             |
| \$ 6,827,989               | \$ 7,399,400                | \$ 7,798,921                |
| 2,973,168                  | 3,335,569                   | 3,761,630                   |
| <u>(674,791)</u>           | <u>648,392</u>              | <u>1,316,013</u>            |
| <u><u>\$ 9,126,366</u></u> | <u><u>\$ 11,383,361</u></u> | <u><u>\$ 12,876,564</u></u> |

**Schedule 2 - Changes in Net Assets**  
**Last Six Years**  
**Accrual Basis of Accounting**  
**(In Thousands)**

|   | 2002                 | 2003                 | 2004                 | 2005                 |
|---|----------------------|----------------------|----------------------|----------------------|
| Program Revenues:                               |                      |                      |                      |                      |
| Governmental Activities:                        |                      |                      |                      |                      |
| Charges for Services:                           |                      |                      |                      |                      |
| Public Safety and Corrections                   | \$ 104,577           | \$ 101,157           | \$ 138,359           | \$ 143,998           |
| Transportation                                  | 3,976                | 16,445               | 15,473               | 17,451               |
| Agriculture and Environmental Resources         | 179,838              | 179,037              | 187,779              | 196,047              |
| Economic and Workforce Development              | 117,993              | 125,832              | 158,788              | 159,929              |
| General Education                               | 20,822               | 34,038               | 33,284               | 39,655               |
| Higher Education                                | -                    | 249                  | -                    | 2                    |
| Health and Human Services                       | 721,014              | 571,531              | 516,539              | 360,563              |
| General Government                              | 250,588              | 183,052              | 214,962              | 226,809              |
| Operating Grants and Contributions              |                      |                      |                      |                      |
| Health and Human Services                       | 3,229,846            | 3,764,754            | 3,874,378            | 4,075,420            |
| All Others                                      | 1,468,115            | 1,454,634            | 1,554,481            | 1,480,801            |
| Capital Grants and Contributions                | 21,508               | 131,632              | 269,786              | 261,236              |
| Total Governmental Activities Program Revenues  | <u>\$ 6,118,277</u>  | <u>\$ 6,562,361</u>  | <u>\$ 6,963,829</u>  | <u>\$ 6,961,911</u>  |
| Business-type Activities:                       |                      |                      |                      |                      |
| Charges for Services:                           |                      |                      |                      |                      |
| State Colleges and Universities                 | \$ 539,365           | \$ 583,236           | \$ 636,138           | \$ 651,094           |
| Unemployment Insurance                          | 378,531              | 608,634              | 806,185              | 908,540              |
| Lottery   | 352,618              | 351,815              | 387,800              | 408,011              |
| Other   | 126,326              | 153,962              | 171,598              | 169,182              |
| Operating Grants and Contributions              | 437,777              | 369,481              | 312,200              | 198,217              |
| Capital Grants and Contributions                | 24,333               | 2,274                | 2,307                | 1,687                |
| Total Business-type Activities Program Revenues | <u>\$ 1,858,950</u>  | <u>\$ 2,069,402</u>  | <u>\$ 2,316,228</u>  | <u>\$ 2,336,731</u>  |
| Total Primary Government Program Revenues       | <u>\$ 7,977,227</u>  | <u>\$ 8,631,763</u>  | <u>\$ 9,280,057</u>  | <u>\$ 9,298,642</u>  |
| Expenses:                                       |                      |                      |                      |                      |
| Governmental Activities:                        |                      |                      |                      |                      |
| Public Safety and Corrections                   | \$ 702,345           | \$ 750,143           | \$ 731,438           | \$ 764,307           |
| Transportation                                  | 1,619,806            | 1,727,604            | 1,662,402            | 1,685,256            |
| Agriculture and Environmental Resources         | 609,199              | 541,828              | 557,414              | 612,566              |
| Economic and Workforce Development              | 731,568              | 671,469              | 591,513              | 505,901              |
| General Education                               | 5,461,074            | 6,929,870            | 6,512,834            | 6,820,389            |
| Higher Education                                | 865,729              | 785,524              | 744,112              | 762,092              |
| Health and Human Services                       | 7,307,133            | 8,102,781            | 8,228,552            | 8,466,865            |
| General Government                              | 849,938              | 652,005              | 671,908              | 654,758              |
| Intergovernmental Aid                           | 1,287,768            | 1,480,533            | 1,355,683            | 1,284,576            |
| Interest  | 161,129              | 169,023              | 181,323              | 184,573              |
| Total Governmental Activities Expenses          | <u>\$ 19,595,689</u> | <u>\$ 21,810,780</u> | <u>\$ 21,237,179</u> | <u>\$ 21,741,283</u> |
| Business-type Activities:                       |                      |                      |                      |                      |
| State Colleges and Universities                 | \$ 1,296,697         | \$ 1,386,493         | \$ 1,385,817         | \$ 1,394,893         |
| Unemployment Insurance                          | 946,562              | 1,054,281            | 931,659              | 686,818              |
| Lottery   | 296,985              | 273,884              | 287,550              | 302,575              |
| Other   | 132,479              | 153,397              | 166,923              | 172,886              |
| Total Business-type Activities Expenses         | <u>\$ 2,672,723</u>  | <u>\$ 2,868,055</u>  | <u>\$ 2,771,949</u>  | <u>\$ 2,557,172</u>  |
| Total Primary Government Expenses               | <u>\$ 22,268,412</u> | <u>\$ 24,678,835</u> | <u>\$ 24,009,128</u> | <u>\$ 24,298,455</u> |

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

| <u>2006</u>          | <u>2007</u>          |
|----------------------|----------------------|
| \$ 174,807           | \$130,830            |
| 19,226               | 18,796               |
| 218,376              | 217,702              |
| 214,650              | 162,519              |
| 38,808               | 42,943               |
| -                    | -                    |
| 447,404              | 265,853              |
| 245,015              | 278,846              |
| 4,187,909            | 4,730,232            |
| 1,506,094            | 1,770,207            |
| <u>452,197</u>       | <u>236,700</u>       |
| <u>\$ 7,504,486</u>  | <u>\$ 7,854,628</u>  |
| \$ 694,053           | \$ 750,742           |
| 1,054,227            | 946,269              |
| 449,761              | 422,570              |
| 178,764              | 230,657              |
| 176,023              | 187,530              |
| <u>1,963</u>         | <u>1,839</u>         |
| <u>\$ 2,554,791</u>  | <u>\$ 2,539,607</u>  |
| <u>\$ 10,059,277</u> | <u>\$ 10,394,235</u> |
| \$ 818,192           | \$ 855,328           |
| 1,791,316            | 1,795,056            |
| 525,251              | 614,295              |
| 273,510              | 595,085              |
| 7,336,455            | 7,323,406            |
| 786,563              | 921,339              |
| 8,823,115            | 9,717,294            |
| 718,996              | 771,733              |
| 1,400,479            | 1,489,439            |
| <u>172,612</u>       | <u>208,719</u>       |
| <u>\$ 22,646,489</u> | <u>\$ 24,291,694</u> |
| \$ 1,479,519         | \$ 1,550,936         |
| 690,713              | 735,987              |
| 332,031              | 311,893              |
| <u>183,043</u>       | <u>215,005</u>       |
| <u>\$ 2,685,306</u>  | <u>\$ 2,813,821</u>  |
| <u>\$ 25,331,795</u> | <u>\$ 27,105,515</u> |

**Schedule 2 - Changes in Net Assets (Cont'd.)**  
**Last Six Years**  
**Accrual Basis of Accounting**  
**(In Thousands)**

|  | 2002                   | 2003                   | 2004                   | 2005                   |
|--|------------------------|------------------------|------------------------|------------------------|
| Net (Expense)/Revenue:                           |                        |                        |                        |                        |
| Governmental Activities                          | \$ (13,477,412)        | \$ (15,248,419)        | \$ (14,273,350)        | \$ (14,779,372)        |
| Business-type Activities                         | (813,773)              | (798,653)              | (455,721)              | (220,441)              |
| Total Primary Government Net Expense             | <u>\$ (14,291,185)</u> | <u>\$ (16,047,072)</u> | <u>\$ (14,729,071)</u> | <u>\$ (14,999,813)</u> |
| General Revenues and Other Changes in Net Assets |                        |                        |                        |                        |
| Governmental Activities:                         |                        |                        |                        |                        |
| Taxes:   |                        |                        |                        |                        |
| Individual Income Taxes                          | \$ 5,419,220           | \$ 5,497,328           | \$ 5,863,383           | \$ 6,556,331           |
| Corporate Income Taxes                           | 428,614                | 636,214                | 643,442                | 702,839                |
| Sales Taxes                                      | 3,777,259              | 3,924,424              | 3,911,496              | 4,269,837              |
| Property Taxes                                   | 308,337                | 594,094                | 608,860                | 603,412                |
| Motor Vehicle Taxes                              | 616,616                | 606,137                | 587,223                | 552,856                |
| Fuel Taxes                                       | 614,285                | 656,326                | 643,964                | 652,493                |
| Other Taxes                                      | 1,862,382              | 1,981,468              | 2,190,491              | 2,417,175              |
| Tobacco Settlement                               | 380,024                | 261,525                | 173,173                | 178,177                |
| Unallocated Investment/Interest Income           | 83,432                 | 24,049                 | 32,712                 | 42,753                 |
| Other Revenues                                   | 71,621                 | 203,206                | 178,255                | 63,182                 |
| Special Item                                     | 134,000                | 30,000                 | -                      | -                      |
| Transfers  | (615,758)              | (548,291)              | (471,382)              | (425,180)              |
| Total Governmental Activities                    | <u>\$ 13,080,032</u>   | <u>\$ 13,866,480</u>   | <u>\$ 14,361,617</u>   | <u>\$ 15,613,875</u>   |
| Business-type Activities:                        |                        |                        |                        |                        |
| Unallocated Investment/Interest Income           | \$ 35,853              | \$ 15,697              | \$ 16,213              | \$ 9,264               |
| Other Revenues                                   | 721                    | 9,294                  | 2,417                  | 12,240                 |
| Transfers  | 615,758                | 548,291                | 471,382                | 425,180                |
| Total Business-type Activities                   | <u>\$ 652,332</u>      | <u>\$ 573,282</u>      | <u>\$ 490,012</u>      | <u>\$ 446,684</u>      |
| Total Primary Government General Revenues        | <u>\$ 13,732,364</u>   | <u>\$ 14,439,762</u>   | <u>\$ 14,851,629</u>   | <u>\$ 16,060,559</u>   |
| Change in Net Assets:                            |                        |                        |                        |                        |
| Governmental Activities:                         | \$ (397,380)           | \$ (1,381,939)         | \$ 88,267              | \$ 834,503             |
| Changes in Fund Structure                        | -                      | (3,641)                | -                      | -                      |
| Changes in Inventory                             | 2,441                  | -                      | -                      | -                      |
| Prior Period Adjustments                         | -                      | (41,919)               | 84,233                 | (37,849)               |
| Business-type Activities:                        | (161,441)              | (225,371)              | 34,291                 | 226,243                |
| Changes in Fund Structure                        | -                      | 3,641                  | -                      | -                      |
| Total Primary Government Change in Net Assets    | <u>\$ (556,380)</u>    | <u>\$ (1,649,229)</u>  | <u>\$ 206,791</u>      | <u>\$ 1,022,897</u>    |

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

| 2006                  | 2007                  |
|-----------------------|-----------------------|
| \$(15,142,003)        | \$(16,437,066)        |
| (130,515)             | (274,214)             |
| <u>\$(15,272,518)</u> | <u>\$(16,711,280)</u> |

|                      |                      |
|----------------------|----------------------|
| \$ 7,069,242         | \$ 7,463,959         |
| 1,189,328            | 1,160,380            |
| 4,439,667            | 4,600,984            |
| 633,288              | 667,395              |
| 539,468              | 1,025,820            |
| 659,980              | 647,168              |
| 2,663,939            | 2,154,689            |
| 184,139              | 184,924              |
| 101,803              | 155,016              |
| 28,447               | 91,867               |
| -                    | -                    |
| (474,090)            | (510,578)            |
| <u>\$ 17,035,211</u> | <u>\$ 17,641,624</u> |

|                   |                   |
|-------------------|-------------------|
| \$ 18,300         | \$ 26,786         |
| 17,141            | 17,811            |
| 474,090           | 510,578           |
| <u>\$ 509,531</u> | <u>\$ 555,175</u> |

|                      |                      |
|----------------------|----------------------|
| <u>\$ 17,544,742</u> | <u>\$ 18,196,799</u> |
|----------------------|----------------------|

|                     |                     |
|---------------------|---------------------|
| \$ 1,893,208        | \$ 1,204,558        |
| -                   | (9,472)             |
| -                   | -                   |
| (15,229)            | 7,684               |
| 379,016             | 280,961             |
| -                   | 9,472               |
| <u>\$ 2,256,995</u> | <u>\$ 1,493,203</u> |

**Schedule 3 - Fund Balances, Governmental Funds**  
**Last Six Years**  
**Modified Accrual Basis of Accounting**  
**(In Thousands)**

|                                    | <u>2002</u>                | <u>2003</u>                | <u>2004</u>                | <u>2005</u>                |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund:                      |                            |                            |                            |                            |
| Reserved                           | \$ 146,286                 | \$ 74,766                  | \$ 120,506                 | \$ 161,257                 |
| Designated                         | 482,657                    | -                          | -                          | -                          |
| Undesignated                       | <u>56,516</u>              | <u>(1,006,866)</u>         | <u>(448,465)</u>           | <u>(68,292)</u>            |
| Total General Fund                 | <u>\$ 685,459</u>          | <u>\$ (932,100)</u>        | <u>\$ (327,959)</u>        | <u>\$ 92,965</u>           |
| All Other Governmental Funds:      |                            |                            |                            |                            |
| Reserved                           | \$ 3,755,023               | \$ 3,944,156               | \$ 2,543,206               | \$ 2,797,593               |
| Designated, Reported In:           |                            |                            |                            |                            |
| Special Revenue Funds              | 783,976                    | 442,662                    | 580,118                    | 484,012                    |
| Debt Service Fund                  | -                          | -                          | -                          | -                          |
| Permanent Funds                    | -                          | -                          | -                          | -                          |
| Undesignated, Reported In:         |                            |                            |                            |                            |
| Special Revenue Funds              | 472,520                    | 396,014                    | 262,630                    | 189,873                    |
| Capital Projects Funds             | <u>1,608</u>               | <u>44</u>                  | <u>(62,340)</u>            | <u>(8,187)</u>             |
| Total All Other Governmental Funds | <u>\$ 5,013,127</u>        | <u>\$ 4,782,876</u>        | <u>\$ 3,323,614</u>        | <u>\$ 3,463,291</u>        |
| Total Governmental Funds           | <u><u>\$ 5,698,586</u></u> | <u><u>\$ 3,850,776</u></u> | <u><u>\$ 2,995,655</u></u> | <u><u>\$ 3,556,256</u></u> |

Note: Due to significant fund structure changes that occurred when the state implemented GASB 34 in fiscal year 2002, earlier financial statement information is not presented.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

| <u>2006</u>                | <u>2007</u>                |
|----------------------------|----------------------------|
| \$ 228,640                 | \$ 155,985                 |
| 610,167                    | 1,124,122                  |
| <u>-</u>                   | <u>-</u>                   |
| <u>\$ 838,807</u>          | <u>\$ 1,280,107</u>        |
| <br>                       |                            |
| \$ 2,805,382               | \$ 2,020,610               |
| 715,202                    | 1,139,133                  |
| -                          | 704,800                    |
| -                          | 15,690                     |
| 239,599                    | 243,192                    |
| <u>(48,184)</u>            | <u>6,044</u>               |
| <br>                       |                            |
| <u>\$ 3,711,999</u>        | <u>\$ 4,129,469</u>        |
| <br>                       |                            |
| <u><u>\$ 4,550,806</u></u> | <u><u>\$ 5,409,576</u></u> |

**Schedule 4 - Changes in Fund Balances, Governmental Funds**  
**Last Six Years**  
**Modified Accrual Basis of Accounting**  
**(In Thousands)**

|   | 2002                 | 2003                  | 2004                 |
|---|----------------------|-----------------------|----------------------|
| Revenues:   |                      |                       |                      |
| Individual Income Taxes                                 | \$ 5,439,186         | \$ 5,477,799          | \$ 5,836,790         |
| Corporate Income Taxes                                  | 454,318              | 572,689               | 648,837              |
| Sales Taxes   | 3,795,942            | 3,822,453             | 3,959,236            |
| Property Taxes  | 305,573              | 585,416               | 599,622              |
| Motor Vehicle Taxes                                     | 1,111,953            | 1,109,090             | 1,096,890            |
| Gasoline and Special Fuels Taxes                        | 611,886              | 645,886               | 651,261              |
| Federal Revenues  | 4,650,483            | 5,265,603             | 5,550,606            |
| Other Taxes and Revenues                                | 3,121,250            | 3,212,677             | 3,396,171            |
| Total Revenues  | <u>\$ 19,490,591</u> | <u>\$ 20,691,613</u>  | <u>\$ 21,739,413</u> |
| Expenditures:   |                      |                       |                      |
| Current:  |                      |                       |                      |
| Public Safety and Corrections                           | \$ 695,305           | \$ 748,482            | \$ 711,888           |
| Transportation  | 1,610,669            | 1,724,106             | 1,647,447            |
| Agriculture and Environmental Resources                 | 637,139              | 594,696               | 575,363              |
| Economic and Workforce Development                      | 776,484              | 750,463               | 649,090              |
| General Education                                       | 5,460,622            | 6,929,529             | 6,512,633            |
| Higher Education  | 864,395              | 785,887               | 745,406              |
| Health and Human Services                               | 7,118,313            | 8,091,315             | 8,229,553            |
| General Government                                      | 712,474              | 604,481               | 617,052              |
| Intergovernment Aid                                     | 1,287,768            | 1,480,533             | 1,355,683            |
| Securities Lending Rebates and Fees                     | 25,408               | 6,968                 | 3,854                |
| Capital Outlay  | 500,458              | 572,534               | 701,372              |
| Debt Service:   |                      |                       |                      |
| Principal   | 241,855              | 275,718               | 253,127              |
| Interest  | 142,567              | 144,940               | 184,833              |
| Total Expenditures                                      | <u>\$ 20,073,457</u> | <u>\$ 22,709,652</u>  | <u>\$ 22,187,301</u> |
| Excess of Revenues Over (Under) Expenditures            | <u>\$ (582,866)</u>  | <u>\$ (2,018,039)</u> | <u>\$ (447,888)</u>  |
| Other Financing Sources (Uses):                         |                      |                       |                      |
| Bond Proceeds   | \$ 602,613           | \$ 256,362            | \$ 417,937           |
| Loan Proceeds   | -                    | 14,897                | -                    |
| Proceeds from Refunding Bonds                           | 37,405               | 391,680               | 20,855               |
| Payment of Refunding Bonds                              | (37,405)             | -                     | (425,715)            |
| Bond Issue Premium                                      | 35,476               | 58,252                | 33,455               |
| Net Transfers In (Out)                                  | (601,319)            | (523,318)             | (456,971)            |
| Capital Leases  | 3,326                | 3,134                 | 1,774                |
| Total Other Financing Sources (Uses)                    | <u>\$ 40,096</u>     | <u>\$ 201,007</u>     | <u>\$ (408,665)</u>  |
| Changes in Inventory                                    | 2,441                | (321)                 | 1,432                |
| Changes in Fund Structure                               | 2,241,775            | (1,117)               | -                    |
| Changes in Accounting Principles                        | 67,749               | -                     | -                    |
| Prior Period Adjustments                                | (26,608)             | (59,340)              | -                    |
| Special Item  | 134,000              | 30,000                | -                    |
| Net Change in Fund Balances                             | <u>\$ 1,876,587</u>  | <u>\$ (1,847,810)</u> | <u>\$ (855,121)</u>  |
| Debt Service as a Percentage of Noncapital Expenditures | 2.0%                 | 1.9%                  | 2.0%                 |

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.



| 2005                 | 2006                 | 2007                 |
|----------------------|----------------------|----------------------|
| \$ 6,534,422         | \$ 7,068,712         | \$ 7,412,381         |
| 711,136              | 1,189,915            | 1,163,095            |
| 4,281,391            | 4,473,275            | 4,513,452            |
| 610,809              | 631,279              | 665,746              |
| 1,067,444            | 1,037,593            | 1,025,820            |
| 655,162              | 659,647              | 648,078              |
| 5,606,553            | 5,864,373            | 6,333,686            |
| 3,591,776            | 4,080,518            | 4,027,767            |
| <u>\$ 23,058,693</u> | <u>\$ 25,005,312</u> | <u>\$ 25,790,025</u> |
| <br>                 |                      |                      |
| \$ 753,260           | \$ 793,202           | \$ 813,636           |
| 1,644,500            | 1,776,980            | 1,765,410            |
| 578,000              | 537,220              | 606,914              |
| 617,247              | 703,108              | 632,805              |
| 6,820,292            | 7,337,888            | 7,320,491            |
| 764,072              | 786,606              | 922,772              |
| 8,465,547            | 8,820,143            | 9,702,839            |
| 622,177              | 690,753              | 699,585              |
| 1,284,576            | 1,400,479            | 1,489,439            |
| 9,030                | 18,049               | 29,929               |
| 703,777              | 854,612              | 693,041              |
| <br>                 |                      |                      |
| 260,930              | 288,932              | 349,941              |
| 184,191              | 183,240              | 222,175              |
| <u>\$ 22,707,599</u> | <u>\$ 24,191,212</u> | <u>\$ 25,248,977</u> |
| <br>                 |                      |                      |
| \$ 351,094           | \$ 814,100           | \$ 541,048           |
| <br>                 |                      |                      |
| \$ 507,294           | \$ 377,949           | \$ 720,445           |
| 17,885               | 24,388               | 24,610               |
| 171,880              | 160,960              | 264,050              |
| (171,880)            | (160,960)            | (264,050)            |
| 61,662               | 45,141               | 57,918               |
| (387,029)            | (449,246)            | (479,598)            |
| 8,387                | 180,005              | 1,090                |
| <u>\$ 208,199</u>    | <u>\$ 178,237</u>    | <u>\$ 324,465</u>    |
| <br>                 |                      |                      |
| 1,308                | -                    | 2,845                |
| -                    | -                    | (9,588)              |
| -                    | -                    | -                    |
| -                    | -                    | -                    |
| -                    | -                    | -                    |
| <u>\$ 560,601</u>    | <u>\$ 992,337</u>    | <u>\$ 858,770</u>    |
| <br>                 |                      |                      |
| 2.0%                 | 2.0%                 | 2.3%                 |

**Schedule 5 - Revenue Base  
Personal Income By Industry  
Last Six Calendar Years**

|  | 2001           | 2002           | 2003           | 2004           |
|--|----------------|----------------|----------------|----------------|
| Earnings By Industry:  |                |                |                |                |
| Farm Earnings  | \$ 448,433     | \$ 568,577     | \$ 1,206,135   | \$ 1,601,404   |
| Nonfarm Earnings   | \$ 128,707,322 | \$ 132,754,854 | \$ 137,465,509 | \$ 146,047,279 |
| Private Earnings:  | \$ 111,348,721 | \$ 114,300,536 | \$ 118,274,307 | \$ 125,988,230 |
| Forestry, Fishing, Related Activities  | 334,042        | 296,904        | 315,588        | 299,077        |
| Mining   | 447,858        | 421,181        | 442,442        | 483,475        |
| Utilities  | 1,291,243      | 1,244,439      | 1,233,917      | 1,427,166      |
| Construction   | 8,107,925      | 8,390,640      | 8,669,532      | 9,261,549      |
| Manufacturing:   |                |                |                |                |
| Durable Goods Manufacturing  | 13,730,458     | 13,783,606     | 14,422,953     | 15,381,737     |
| Nondurable Goods Manufacturing   | 6,808,893      | 7,241,822      | 7,459,598      | 7,685,909      |
| Wholesale Trade  | 8,436,184      | 8,541,667      | 8,900,286      | 9,466,177      |
| Retail Trade   | 8,498,594      | 8,733,924      | 8,864,291      | 9,146,489      |
| Transportation and Warehousing   | 5,044,792      | 4,786,348      | 4,819,387      | 5,241,079      |
| Information  | 4,156,150      | 4,114,285      | 3,963,361      | 4,097,801      |
| Finance and Insurance  | 10,389,923     | 10,848,413     | 11,742,023     | 12,593,129     |
| Real Estate and Rental and Leasing   | 2,382,373      | 2,669,799      | 2,865,415      | 2,936,250      |
| Professional and Technical Services  | 10,688,723     | 10,492,586     | 10,526,186     | 11,165,382     |
| Management of Companies and Enterprises  | 5,890,077      | 5,721,902      | 5,622,781      | 6,719,305      |
| Administrative and Waste Services  | 3,694,025      | 3,783,331      | 3,923,786      | 4,149,666      |
| Educational Services   | 1,359,729      | 1,463,967      | 1,559,781      | 1,643,249      |
| Health Care and Social Assistance  | 12,245,345     | 13,416,236     | 14,317,328     | 15,310,175     |
| Arts, Entertainment, and Recreation  | 1,113,515      | 1,211,813      | 1,294,014      | 1,319,331      |
| Accommodation and Food Services  | 2,874,130      | 2,971,855      | 3,124,400      | 3,308,548      |
| Other Services, Except Public Administration   | 3,854,742      | 4,165,818      | 4,207,238      | 4,352,736      |
| Government and Government Enterprises:   |                |                |                |                |
| Federal, Civilian  | \$ 2,312,233   | \$ 2,433,871   | \$ 2,556,432   | \$ 2,756,752   |
| Military   | 381,272        | 477,960        | 676,983        | 755,205        |
| State and Local  | 14,665,096     | 15,542,487     | 15,957,787     | 16,547,092     |
| Total Earnings By Industry   | \$ 129,155,755 | \$ 133,323,431 | \$ 138,671,644 | \$ 147,648,683 |
| Derivation of Personal Income:   |                |                |                |                |
| Earnings By Place of Work  | \$ 129,155,755 | \$ 133,323,431 | \$ 138,671,644 | \$ 147,648,683 |
| Derivation of Personal Income  | \$ 33,421,761  | \$ 33,644,401  | \$ 34,826,241  | \$ 36,146,045  |
| (Less Social Security Plus Adjustment for Residence,<br>Dividends, Interest, Rent and Transfer Receipts) |                |                |                |                |
| Personal income  | \$ 162,577,516 | \$ 166,967,832 | \$ 173,497,885 | \$ 183,794,728 |

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 20, 2007.

The Personal Income by Industry Report for 2001 and later is not directly comparable to previous years because of a major change in the way in which the data was summarized. The Federal government has changed its industry classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). The change to NAICS codes was an improvement in a number of ways. For example, NAICS codes reflect recent technological changes, and also the growth and diversification of services. In 2001, Bureau of Economic Affairs changed to the new NAICS system. Because of this change, a direct comparison of the 2001 data with any earlier data is not possible.

|    | 2005        |    | 2006        |
|----|-------------|----|-------------|
| \$ | 1,931,890   | \$ | 1,437,709   |
| \$ | 150,646,357 | \$ | 156,874,124 |
| \$ | 129,691,726 | \$ | 134,918,581 |
|    | 306,590     |    | 324,463     |
|    | 515,418     |    | 583,072     |
|    | 1,446,001   |    | 1,493,945   |
|    | 9,421,010   |    | 9,521,522   |
|    | 15,476,771  |    | 15,893,487  |
|    | 7,744,406   |    | 7,964,400   |
|    | 10,035,668  |    | 10,591,310  |
|    | 9,159,443   |    | 9,254,263   |
|    | 5,341,093   |    | 5,020,249   |
|    | 4,242,604   |    | 4,306,897   |
|    | 13,039,902  |    | 13,644,817  |
|    | 3,151,918   |    | 3,132,551   |
|    | 11,791,659  |    | 12,746,087  |
|    | 6,925,133   |    | 7,144,537   |
|    | 4,348,998   |    | 4,586,309   |
|    | 1,711,750   |    | 1,857,609   |
|    | 15,937,781  |    | 17,262,645  |
|    | 1,324,449   |    | 1,497,896   |
|    | 3,397,878   |    | 3,577,403   |
|    | 4,373,254   |    | 4,515,119   |
| \$ | 2,836,482   | \$ | 2,946,066   |
|    | 941,359     |    | 864,048     |
|    | 17,176,790  |    | 18,145,429  |
| \$ | 152,578,247 | \$ | 158,311,833 |
| \$ | 152,578,247 | \$ | 158,311,833 |
| \$ | 37,950,538  | \$ | 41,920,320  |
| \$ | 190,528,785 | \$ | 200,232,153 |

**Schedule 6 - Revenue Rates**  
**Tax Rates and Taxable Income Brackets for 1998 Through 2007**

**Tax Year 1998**

|                   | <u>6% Up To</u> | <u>8%</u>           | <u>8.5% Over</u> |
|-------------------|-----------------|---------------------|------------------|
| Married Joint     | \$ 24,800       | \$24,801 - \$98,540 | \$ 98,540        |
| Married Separate  | \$ 12,400       | \$12,401 - \$49,270 | \$ 49,270        |
| Single            | \$ 16,960       | \$16,961 - \$55,730 | \$ 55,730        |
| Head of Household | \$ 20,890       | \$20,891 - \$83,930 | \$ 83,930        |

**Tax Year 1999**

|                   | <u>5.5% Up To</u> | <u>7.25%</u>         | <u>8.0% Over</u> |
|-------------------|-------------------|----------------------|------------------|
| Married Joint     | \$ 25,220         | \$25,221 - \$100,200 | \$ 100,200       |
| Married Separate  | \$ 12,610         | \$12,611 - \$ 50,100 | \$ 50,100        |
| Single            | \$ 17,250         | \$17,251 - \$ 56,680 | \$ 56,680        |
| Head of Household | \$ 21,240         | \$21,241 - \$ 85,350 | \$ 85,350        |

**Tax Year 2000**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 25,680          | \$25,681 - \$102,030 | \$ 102,030        |
| Married Separate  | \$ 12,840          | \$12,841 - \$ 51,010 | \$ 51,010         |
| Single            | \$ 17,570          | \$17,571 - \$ 57,710 | \$ 57,710         |
| Head of Household | \$ 21,630          | \$21,631 - \$ 86,910 | \$ 86,910         |

**Tax Year 2001**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 26,480          | \$26,481 - \$105,200 | \$ 105,200        |
| Married Separate  | \$ 13,240          | \$13,241 - \$ 52,600 | \$ 52,600         |
| Single            | \$ 18,120          | \$18,121 - \$ 59,500 | \$ 59,500         |
| Head of Household | \$ 22,300          | \$22,301 - \$ 89,610 | \$ 89,610         |

**Tax Year 2002**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 27,350          | \$27,351 - \$108,660 | \$ 108,660        |
| Married Separate  | \$ 13,680          | \$13,681 - \$ 54,330 | \$ 54,330         |
| Single            | \$ 18,710          | \$18,711 - \$ 61,460 | \$ 61,460         |
| Head of Household | \$ 23,040          | \$23,041 - \$ 92,560 | \$ 92,560         |

Source: Minnesota Department of Revenue Tax Research Division  
Minnesota Taxable Income is the Federal Taxable Income modified for State specific additions and subtractions.

**Schedule 6 - Revenue Rates**  
**Tax Rates and Taxable Income Brackets for 1998 Through 2007 - (Cont'd.)**

**Tax Year 2003**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 27,780          | \$27,781 - \$110,390 | \$ 110,390        |
| Married Separate  | \$ 13,890          | \$13,891 - \$ 55,200 | \$ 55,200         |
| Single            | \$ 19,010          | \$19,011 - \$ 62,440 | \$ 62,440         |
| Head of Household | \$ 23,400          | \$23,401 - \$ 94,030 | \$ 94,030         |

**Tax Year 2004**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 28,420          | \$28,421 - \$112,910 | \$ 112,910        |
| Married Separate  | \$ 14,210          | \$14,211 - \$ 56,460 | \$ 56,460         |
| Single            | \$ 19,440          | \$19,441 - \$ 63,860 | \$ 63,860         |
| Head of Household | \$ 23,940          | \$23,941 - \$ 96,180 | \$ 96,180         |

**Tax Year 2005**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 29,070          | \$29,071 - \$115,510 | \$ 115,510        |
| Married Separate  | \$ 14,540          | \$14,541 - \$ 57,760 | \$ 57,760         |
| Single            | \$ 19,890          | \$19,891 - \$ 65,330 | \$ 65,330         |
| Head of Household | \$ 24,490          | \$24,491 - \$ 98,390 | \$ 98,390         |

**Tax Year 2006**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 29,980          | \$29,981 - \$119,100 | \$ 119,100        |
| Married Separate  | \$ 14,990          | \$14,991 - \$ 59,550 | \$ 59,550         |
| Single            | \$ 20,510          | \$20,511 - \$ 67,360 | \$ 67,360         |
| Head of Household | \$ 25,250          | \$25,251 - \$101,450 | \$ 101,450        |

**Tax Year 2007**

|                   | <u>5.35% Up To</u> | <u>7.05%</u>         | <u>7.85% Over</u> |
|-------------------|--------------------|----------------------|-------------------|
| Married Joint     | \$ 31,150          | \$31,151 - \$123,750 | \$ 123,750        |
| Married Separate  | \$ 15,580          | \$15,581 - \$ 61,880 | \$ 61,880         |
| Single            | \$ 21,310          | \$21,311 - \$ 69,990 | \$ 69,990         |
| Head of Household | \$ 26,230          | \$26,231 - \$105,410 | \$ 105,410        |

Source: Minnesota Department of Revenue Tax Research Division  
Minnesota Taxable Income is the Federal Taxable Income modified for State  
specific additions and subtractions.



**Schedule 7 - Principal Tax Payers**  
**Personal Income Tax Filers and Liability By Income Level**  
**Calendar Years 1998 and 2005**

**Calendar Year 1998**

| <u>Federal Adjusted Gross<br/>Income</u> | <u>Number of<br/>Filers</u> | <u>Percent of Total</u> | <u>Personal Income<br/>Tax Liability<sup>(1)</sup></u> | <u>Percent of Total</u> |
|--|-----------------------------|-------------------------|--|-------------------------|
| \$ 0 – 4,999                             | 275,545                     | 11.73%                  | \$ 3,483,066   | 0.06%                   |
| \$ 5,000 – 9,999                         | 219,754                     | 9.35%                   | 18,495,962   | 0.34%                   |
| \$ 10,000 – 19,999                       | 386,943                     | 16.47%                  | 125,199,359  | 2.31%                   |
| \$ 20,000 – 29,999                       | 323,476                     | 13.77%                  | 266,368,312  | 4.92%                   |
| \$ 30,000 – 39,999                       | 248,494                     | 10.58%                  | 340,846,487  | 6.30%                   |
| \$ 40,000 – 49,999                       | 204,729                     | 8.71%                   | 385,054,193  | 7.12%                   |
| \$ 50,000 – 99,999                       | 515,844                     | 21.96%                  | 1,739,447,147  | 32.14%                  |
| \$ 100,000 – 249,999                     | 141,508                     | 6.02%                   | 1,150,531,301  | 21.26%                  |
| \$ 250,000 – 499,999                     | 19,845                      | 0.84%                   | 414,944,327  | 7.67%                   |
| \$ 500,000 & Over                        | 13,296                      | 0.57%                   | 967,048,768  | 17.87%                  |
|  | <u>2,349,434</u>            | <u>100.00%</u>          | <u>\$ 5,411,418,922</u>                                | <u>100.00%</u>          |

**Calendar Year 2005**

| <u>Federal Adjusted Gross<br/>Income</u> | <u>Number of<br/>Filers</u> | <u>Percent of Total</u> | <u>Personal Income<br/>Tax Liability<sup>(1)</sup></u> | <u>Percent of Total</u> |
|--|-----------------------------|-------------------------|--|-------------------------|
| \$ 0 – 4,999                             | 218,253                     | 8.94%                   | \$ 1,940,839   | 0.03%                   |
| \$ 5,000 – 9,999                         | 206,892                     | 8.48%                   | 9,989,577  | 0.15%                   |
| \$ 10,000 – 19,999                       | 339,973                     | 13.93%                  | 80,298,700   | 1.24%                   |
| \$ 20,000 – 29,999                       | 301,545                     | 12.36%                  | 185,696,816  | 2.87%                   |
| \$ 30,000 – 39,999                       | 251,360                     | 10.30%                  | 283,035,883  | 4.37%                   |
| \$ 40,000 – 49,999                       | 204,137                     | 8.37%                   | 319,184,450  | 4.93%                   |
| \$ 50,000 – 99,999                       | 624,557                     | 25.60%                  | 1,802,000,103  | 27.83%                  |
| \$ 100,000 – 249,999                     | 239,025                     | 9.80%                   | 1,687,495,165  | 26.06%                  |
| \$ 250,000 – 499,999                     | 33,687                      | 1.38%                   | 666,292,547  | 10.29%                  |
| \$ 500,000 & Over                        | 20,630                      | 0.85%                   | 1,439,903,166  | 22.24%                  |
|  | <u>2,440,059</u>            | <u>100.00%</u>          | <u>\$ 6,475,837,246</u>                                | <u>100.00%</u>          |

<sup>(1)</sup>Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2005 is the most recent year available.

Source: Minnesota Department of Revenue, 1998 and 2005 (Preliminary) Individual Income Tax Sample.

**Schedule 8 - Ratios of Outstanding and General Bonded Debt**  
**Last Ten Years**  
**(In Thousands)**

|  | 1998           | 1999           | 2000           | 2001           |
|--|----------------|----------------|----------------|----------------|
| Governmental Activities:                     |                |                |                |                |
| General Obligation Bonds                     | \$ 2,506,939   | \$ 2,384,195   | \$ 2,527,281   | \$ 2,588,155   |
| Bond Premium <sup>(1)</sup>                  | -              | -              | -              | -              |
| Loans  | 43,475         | 40,153         | 32,385         | 36,643         |
| Revenue Bonds                                | 132,825        | 108,565        | 56,595         | 16,100         |
| Capital Leases                               | 18,313         | 19,095         | 21,578         | 26,357         |
| Total  | \$ 2,701,552   | \$ 2,552,008   | \$ 2,637,839   | \$ 2,667,255   |
| Business-type Activities:                    |                |                |                |                |
| General Obligation Bonds                     | \$ -           | \$ 4,790       | \$ 4,619       | \$ 4,440       |
| Bond Premium <sup>(1)</sup>                  | -              | -              | -              | -              |
| Loans  | 452            | 528            | 2,482          | 1,965          |
| Revenue Bonds                                | 31,960         | 29,680         | 28,910         | 1,410          |
| Capital Leases                               | -              | -              | -              | -              |
| Total  | \$ 32,412      | \$ 34,998      | \$ 36,011      | \$ 7,815       |
| Total Debt to the Primary Government         | \$ 2,733,964   | \$ 2,587,006   | \$ 2,673,850   | \$ 2,675,070   |
| Less: Set Aside to Repay General Debt        | \$ (247,722)   | \$ (240,725)   | \$ (252,819)   | \$ (257,534)   |
| Net Debt to the Primary Government           | \$ 2,486,242   | \$ 2,346,281   | \$ 2,421,031   | \$ 2,417,536   |
| Total Personal Income                        | \$ 139,553,134 | \$ 146,721,641 | \$ 157,963,755 | \$ 162,577,516 |
| Ratio of Total Debt to Total Personal Income | 1.96%          | 1.76%          | 1.69%          | 1.65%          |
| Per Capita (In Actual Dollars)               | \$ 517         | \$ 481         | \$ 491         | \$ 486         |

<sup>(1)</sup> Bond Premium information not available prior to 2003.

<sup>(2)</sup> Estimate.

<sup>(3)</sup> Based on projected 2007 population. U.S. Census Bureau, Population Division.

Sources: The state's Comprehensive Annual Financial Report for the relevant year.  
Bureau of Economic Analysis, U.S. Department of Commerce



| 2002                  | 2003                  | 2004                  | 2005                  | 2006                  | 2007                                 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| \$ 2,923,221          | \$ 3,295,545          | \$ 3,055,496          | \$ 3,315,282          | \$ 3,414,239          | \$ 3,791,494                         |
| -                     | 92,387                | 117,619               | 168,574               | 201,142               | 245,209                              |
| 39,618                | 24,198                | 19,653                | 17,130                | 45,918                | 60,494                               |
| -                     | -                     | -                     | -                     | -                     | 15,145                               |
| 18,027                | 8,846                 | 9,085                 | 11,037                | 182,930               | 172,732                              |
| <u>\$ 2,980,866</u>   | <u>\$ 3,420,976</u>   | <u>\$ 3,201,853</u>   | <u>\$ 3,512,023</u>   | <u>\$ 3,844,229</u>   | <u>\$ 4,285,074</u>                  |
| <br>                  |                       |                       |                       |                       |                                      |
| \$ 108,874            | \$ 125,950            | \$ 141,859            | \$ 145,028            | \$ 156,896            | \$ 188,096                           |
| -                     | 1,694                 | 3,242                 | 4,420                 | 7,735                 | 11,594                               |
| 4,498                 | 135,486               | 275,703               | 87,376                | 5,832                 | 5,419                                |
| 53,365                | 52,925                | 51,410                | 52,475                | 95,780                | 170,941                              |
| 8,578                 | 12,483                | 14,868                | 26,497                | 26,520                | 25,382                               |
| <u>\$ 175,315</u>     | <u>\$ 328,538</u>     | <u>\$ 487,082</u>     | <u>\$ 315,796</u>     | <u>\$ 292,763</u>     | <u>\$ 401,432</u>                    |
| <br>                  |                       |                       |                       |                       |                                      |
| <u>\$ 3,156,181</u>   | <u>\$ 3,749,514</u>   | <u>\$ 3,688,935</u>   | <u>\$ 3,827,819</u>   | <u>\$ 4,136,992</u>   | <u>\$ 4,686,506</u>                  |
| <br>                  |                       |                       |                       |                       |                                      |
| \$ (243,830)          | \$ (263,810)          | \$ (258,925)          | \$ (286,535)          | \$ (313,324)          | \$ (372,510)                         |
| \$ 2,912,351          | \$ 3,485,704          | \$ 3,430,010          | \$ 3,541,284          | \$ 3,823,668          | \$ 4,313,996                         |
| <u>\$ 166,967,832</u> | <u>\$ 173,755,660</u> | <u>\$ 184,571,393</u> | <u>\$ 191,567,678</u> | <u>\$ 201,079,425</u> | <u>\$ 205,836,250</u> <sup>(2)</sup> |
| 1.89%                 | 2.16%                 | 2.00%                 | 2.00%                 | 2.06%                 | 2.28%                                |
| <br>                  |                       |                       |                       |                       |                                      |
| \$ 580                | \$ 689                | \$ 672                | \$ 687                | \$ 732                | \$ 818 <sup>(3)</sup>                |

**Schedule 9 - Pledged Revenue Coverage**  
**Last Ten Fiscal Years (In Thousands)**

|  | 1998            | 1999            | 2000             | 2001             | 2002            |
|--|-----------------|-----------------|------------------|------------------|-----------------|
| <b>State University Board Revenue Fund</b>   |                 |                 |                  |                  |                 |
| Gross Revenues <sup>(1)</sup>  | \$ 45,481       | \$ 48,857       | \$ 51,470        | \$ 54,385        | \$ 55,964       |
| Less: Operating Expenses <sup>(2)</sup>  | (38,321)        | (40,449)        | (38,543)         | (42,343)         | (47,830)        |
| Net Available Revenue  | <u>\$ 7,160</u> | <u>\$ 8,408</u> | <u>\$ 12,927</u> | <u>\$ 12,042</u> | <u>\$ 8,134</u> |
| Debt Service   |                 |                 |                  |                  |                 |
| Principal  | \$ 1,520        | \$ 2,185        | \$ 665           | \$ 27,390        | \$ -            |
| Interest   | 2,003           | 1,888           | 1,813            | 2,933            | -               |
| Total Debt Service   | <u>\$ 3,523</u> | <u>\$ 4,073</u> | <u>\$ 2,478</u>  | <u>\$ 30,323</u> | <u>\$ -</u>     |
| Coverage   | 2.03            | 2.06            | 5.22             | 0.40             | N/A             |
| <b>Vermilion Community College and Itasca Community College Student Housing</b><br><b>- Segments of College and University Enterprise Activities</b> |                 |                 |                  |                  |                 |
| Gross Revenues <sup>(1)</sup>  | \$ 506          | \$ 536          | \$ 596           | \$ 555           | \$ 544          |
| Less: Operating Expenses <sup>(2)</sup>  | (163)           | (158)           | (169)            | (329)            | (309)           |
| Net Available Revenue  | <u>\$ 343</u>   | <u>\$ 378</u>   | <u>\$ 427</u>    | <u>\$ 226</u>    | <u>\$ 235</u>   |
| Debt Service   |                 |                 |                  |                  |                 |
| Principal  | \$ 119          | \$ 99           | \$ 105           | \$ 110           | \$ 120          |
| Interest   | 134             | 126             | 118              | 110              | 101             |
| Total Debt Service   | <u>\$ 253</u>   | <u>\$ 225</u>   | <u>\$ 223</u>    | <u>\$ 220</u>    | <u>\$ 221</u>   |
| Coverage   | 1.36            | 1.68            | 1.91             | 1.03             | 1.06            |
| <b>Giants Ridge Enterprise Fund<sup>(4)</sup></b>  |                 |                 |                  |                  |                 |
| Gross Revenues <sup>(1)</sup>  | \$ -            | \$ -            | \$ -             | \$ 4,718         | \$ 3,455        |
| Less: Operating Expenses <sup>(2)</sup>  | -               | -               | -                | (3,982)          | (4,070)         |
| Net Available Revenue  | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 736</u>    | <u>\$ (615)</u> |
| Debt Service   |                 |                 |                  |                  |                 |
| Principal <sup>(3)</sup>   | \$ -            | \$ -            | \$ -             | \$ -             | \$ 200          |
| Interest   | -               | -               | -                | 1,066            | 151             |
| Total Debt Service   | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 1,066</u>  | <u>\$ 351</u>   |
| Coverage   | N/A             | N/A             | N/A              | 0.69             | (1.75)          |
| <b>911 Services Fund<sup>(5)</sup></b>   |                 |                 |                  |                  |                 |
| Gross Revenues <sup>(1)</sup>  | \$ -            | \$ -            | \$ -             | \$ -             | \$ -            |
| Less: Operating Expenses <sup>(2)</sup>  | -               | -               | -                | -                | -               |
| Net Available Revenue  | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     |
| Debt Service   |                 |                 |                  |                  |                 |
| Principal  | \$ -            | \$ -            | \$ -             | \$ -             | \$ -            |
| Interest   | -               | -               | -                | -                | -               |
| Total Debt Service   | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     |
| Coverage   | N/A             | N/A             | N/A              | N/A              | N/A             |

<sup>(1)</sup> Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

<sup>(2)</sup> Depreciation, amortization, bad debt, interest and financing expenses are not included.

<sup>(3)</sup> Revenue bonds were defeased in June 2001 and reissued in February 2002.

<sup>(4)</sup> Revenue bonds of \$16.0 million for Giants Ridge were issued on November 1, 2000.

<sup>(5)</sup> Revenue bonds of \$35.0 million for 911 Services were issued on November 1, 2006.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

| 2003             | 2004             | 2005             | 2006             | 2007              |
|------------------|------------------|------------------|------------------|-------------------|
| \$ 60,606        | \$ 66,221        | \$ 70,091        | \$ 76,901        | \$ 83,073         |
| (47,599)         | (54,221)         | (53,884)         | (57,496)         | (60,778)          |
| <u>\$ 13,007</u> | <u>\$ 12,000</u> | <u>\$ 16,207</u> | <u>\$ 19,405</u> | <u>\$ 22,295</u>  |
| \$ -             | \$ 1,065         | \$ 1,115         | \$ 1,222         | \$ 1,875          |
| 2,247            | 1,695            | 1,401            | 3,496            | 4,663             |
| <u>\$ 2,247</u>  | <u>\$ 2,760</u>  | <u>\$ 2,516</u>  | <u>\$ 4,718</u>  | <u>\$ 6,538</u>   |
| 5.79             | 4.35             | 6.44             | 4.11             | 3.41              |
| \$ 570           | \$ 595           | \$ 595           | \$ 1,010         | \$ 1,074          |
| (335)            | (332)            | (385)            | (660)            | (567)             |
| <u>\$ 235</u>    | <u>\$ 263</u>    | <u>\$ 210</u>    | <u>\$ 350</u>    | <u>\$ 507</u>     |
| \$ 130           | \$ 140           | \$ 150           | \$ 230           | \$ 370            |
| 96               | 86               | 75               | 189              | 170               |
| <u>\$ 226</u>    | <u>\$ 226</u>    | <u>\$ 225</u>    | <u>\$ 419</u>    | <u>\$ 540</u>     |
| 1.04             | 1.16             | 0.93             | 0.84             | 0.94              |
| \$ 3,128         | \$ 4,994         | \$ 5,138         | \$ 4,693         | \$ 4,204          |
| (3,876)          | (4,283)          | (4,532)          | (5,139)          | (5,293)           |
| <u>\$ (748)</u>  | <u>\$ 711</u>    | <u>\$ 606</u>    | <u>\$ (446)</u>  | <u>\$ (1,089)</u> |
| \$ 310           | \$ 310           | \$ 615           | \$ 615           | \$ 665            |
| 574              | 1,170            | 1,071            | 1,045            | 1,009             |
| <u>\$ 884</u>    | <u>\$ 1,480</u>  | <u>\$ 1,686</u>  | <u>\$ 1,660</u>  | <u>\$ 1,674</u>   |
| (0.85)           | 0.48             | 0.36             | (0.27)           | (0.65)            |
| \$ -             | \$ -             | \$ -             | \$ -             | \$ 50,588         |
| -                | -                | -                | -                | (15,052)          |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 35,536</u>  |
| \$ -             | \$ -             | \$ -             | \$ -             | \$ -              |
| -                | -                | -                | -                | 976               |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 976</u>     |
| N/A              | N/A              | N/A              | N/A              | 36.41             |



**Schedule 10 - Demographic and Economic Statistics  
Last Ten Calendar Years**

| Year | Population | Personal<br>Income<br>(Thousands) | Per Capita<br>Personal<br>Income | Median<br>Age | Unemployment<br>Rate |
|------|------------|-----------------------------------|----------------------------------|---------------|----------------------|
| 1997 | 4,763,390  | \$ 128,387,851                    | \$ 26,953                        | 34.9          | 3.3%                 |
| 1998 | 4,813,412  | \$ 139,553,134                    | \$ 28,993                        | 35.2          | 2.7%                 |
| 1999 | 4,873,481  | \$ 146,721,641                    | \$ 30,106                        | 35.5          | 2.8%                 |
| 2000 | 4,933,756  | \$ 157,963,755                    | \$ 32,017                        | 35.4          | 3.1%                 |
| 2001 | 4,985,851  | \$ 162,577,516                    | \$ 32,608                        | 35.7          | 3.8%                 |
| 2002 | 5,024,570  | \$ 166,967,832                    | \$ 33,230                        | 35.9          | 4.5%                 |
| 2003 | 5,059,023  | \$ 173,497,885                    | \$ 34,295                        | 36.2          | 4.8%                 |
| 2004 | 5,094,304  | \$ 183,794,728                    | \$ 36,078                        | 36.4          | 4.6%                 |
| 2005 | 5,126,739  | \$ 190,528,785                    | \$ 37,164                        | 36.6          | 4.1%                 |
| 2006 | 5,167,101  | \$ 200,232,153                    | \$ 38,751                        | 36.8          | 4.0%                 |

Sources: U.S. Census Bureau  
Bureau of Economic Analysis, U.S. Department of Commerce  
Minnesota Department of Employment and Economic Development

**Schedule 11 - Principal Employers  
Current Year and Nine Years Ago**

| Employer                 | 1998      |      |   | 2007      |      |   |
|--------------------------|-----------|------|---|-----------|------|---|
|                          | Employees | Rank | Percent of<br>Total State<br>Employment | Employees | Rank | Percent of<br>Total State<br>Employment |
| State of Minnesota       | 52,676    | 1    | 2.11%                                   | 55,422    | 1    | 2.08%                                   |
| Mayo Foundation          | 17,998    | 8    | 0.72%                                   | 35,931    | 2    | 1.35%                                   |
| United States Government | 33,383    | 2    | 1.34%                                   | 33,624    | 3    | 1.26%                                   |
| Target Corp.             | -         | -    | 0.00%                                   | 25,125    | 4    | 0.94%                                   |
| Allina Health System     | 21,200    | 5    | -                                       | 22,690    | 5    | 0.85%                                   |
| Wells Fargo and Company  | -         | -    | 0.00%                                   | 21,078    | 6    | 0.79%                                   |
| Fairview Health Services | -         | -    | 0.00%                                   | 19,000    | 7    | 0.71%                                   |
| University of Minnesota  | 30,728    | 3    | -                                       | 18,899    | 8    | 0.71%                                   |
| Wal-Mart Stores Inc.     | -         | -    | -                                       | 18,407    | 9    | 0.69%                                   |
| 3M Company               | 20,370    | 6    | 0.82%                                   | 16,614    | 10   | 0.62%                                   |
| Dayton Hudson Corp.      | 28,265    | 4    | 1.13%                                   | -         | -    | -                                       |
| Northwest Airlines Corp. | 19,045    | 7    | 0.76%                                   | -         | -    | -                                       |
| Norwest Corp.            | 12,296    | 9    | 0.49%                                   | -         | -    | -                                       |
| Hennepin County          | 10,384    | 10   | 0.42%                                   | -         | -    | -                                       |
| Total                    | 246,345   |      |   | 266,790   |      |   |
| Total State Employment   | 2,493,169 |      |   | 2,669,079 |      |   |

Sources: Minneapolis-Saint Paul Business Journal Book of Lists  
Minnesota Department of Employment and Economic Development

**Schedule 12**  
**Full-Time Equivalent State Employees By Function**  
**Last Ten Fiscal Years**

|                                       | <u>1998</u>          | <u>1999</u>          | <u>2000</u>          | <u>2001</u>          |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Primary Government:                   |                      |                      |                      |                      |
| Public Safety and Corrections         | 5,475                | 5,593                | 5,670                | 5,792                |
| Transportation                        | 5,253                | 5,310                | 5,397                | 5,461                |
| Agriculture & Environmental Resources | 4,566                | 4,668                | 4,759                | 4,806                |
| Economic & Workforce Development      | 2,690                | 2,746                | 2,670                | 2,696                |
| General Education                     | 958                  | 938                  | 910                  | 943                  |
| Higher Education                      | 13,349               | 14,127               | 13,345               | 13,714               |
| Health and Human Services             | 9,181                | 9,233                | 9,183                | 9,155                |
| General Government                    | <u>4,703</u>         | <u>4,898</u>         | <u>5,014</u>         | <u>5,404</u>         |
| Total                                 | <u><u>46,175</u></u> | <u><u>47,513</u></u> | <u><u>46,948</u></u> | <u><u>47,971</u></u> |

Sources: Minnesota Department of Finance: Operating Budget  
Minnesota State Colleges and Universities

| <u>2002</u>   | <u>2003</u>   | <u>2004</u>   | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 5,750         | 5,807         | 5,705         | 5,752         | 6,245         | 6,198         |
| 5,288         | 5,223         | 4,788         | 4,849         | 4,710         | 4,435         |
| 4,645         | 4,539         | 4,400         | 4,389         | 4,019         | 4,016         |
| 2,654         | 2,669         | 4,257         | 4,136         | 3,976         | 3,792         |
| 911           | 880           | 857           | 864           | 964           | 935           |
| 13,704        | 14,094        | 14,006        | 14,407        | 14,150        | 14,437        |
| 9,039         | 9,118         | 7,415         | 7,570         | 7,827         | 8,042         |
| 5,498         | 5,470         | 5,761         | 6,050         | 6,520         | 6,559         |
| <u>47,489</u> | <u>47,800</u> | <u>47,189</u> | <u>48,017</u> | <u>48,411</u> | <u>48,414</u> |

**Schedule 13 - Operating and Capital Asset Indicators By Function  
Last Ten Years**

|   | 1998        | 1999        | 2000        | 2001        |
|---|-------------|-------------|-------------|-------------|
| <b>Public Safety and Corrections</b>                              |             |             |             |             |
| Incarcerated Inmates  | 5,327       | 5,763       | 5,927       | 6,187       |
| Offenders on Supervision  | 13,978      | 14,851      | 15,321      | 16,535      |
| Correctional Facilities   | 9           | 9           | 10          | 10          |
| Reassignment of Minnesota Certificates of Title                   | 2,525,538   | 2,578,123   | 2,669,806   | 2,677,848   |
| Crashes Investigated By State Patrol                              | 21,168      | 23,005      | 25,467      | 24,083      |
| <b>Transportation</b>   |             |             |             |             |
| Miles of Highways   | N/A         | N/A         | N/A         | N/A         |
| Trunk Highway Bridges   | N/A         | N/A         | N/A         | N/A         |
| Acres of Right-of-Way   | N/A         | N/A         | N/A         | N/A         |
| <b>Agricultural and Environmental Resources</b>                   |             |             |             |             |
| Recreational Fishing Licenses Issued/License Year                 | 1,565,380   | 1,594,512   | 1,601,457   | 1,521,753   |
| Watercraft Licenses Issued/Calendar Year                          | 780,097     | 793,107     | 812,247     | 826,173     |
| Acres of State Land Managed by Forestry/Fiscal Yr.                | 3,863,000   | 3,859,000   | 3,858,000   | 3,857,000   |
| Farms/Calendar Year   | 80,000      | 81,000      | 81,000      | 81,000      |
| Acres of Farmland/Calendar Year (1,000 Acres)                     | 28,600      | 28,200      | 27,900      | 27,800      |
| Agricultural Production-Crops/Calendar Year<br>(In Thousands)     | \$4,305,454 | \$3,544,441 | \$3,586,365 | \$3,180,714 |
| Agricultural Production-Livestock/Calendar Year<br>(In Thousands) | \$3,822,928 | \$3,610,287 | \$3,912,711 | \$4,300,453 |
| <b>Economic and Workforce Development</b>                         |             |             |             |             |
| Unemployment Claims Filed   | N/A         | 190,003     | 203,480     | 302,676     |
| Workplace Injuries Reported                                       | 62,309      | 61,629      | 60,141      | 56,681      |
| <b>General Education</b>  |             |             |             |             |
| Kindergarten Through Grade 12 Students <sup>(1)</sup>             | 835,972     | 842,513     | 843,449     | 842,764     |
| School Districts  | 347         | 345         | 343         | 343         |
| Charter Schools   | 27          | 38          | 53          | 64          |
| Special Education Age 0-21 Childcount                             | 105,347     | 108,873     | 110,720     | 112,833     |
| <b>Higher Education</b>   |             |             |             |             |
| Full Year Equivalents   | 111,409     | 106,827     | 114,199     | 118,861     |
| Number of Students Graduated                                      | 27,693      | 25,837      | 25,166      | 24,907      |
| Buildings - Square Footage  | N/A         | 23,137,533  | 23,393,591  | 23,815,342  |
| <b>Health and Human Services</b>                                  |             |             |             |             |
| Average Monthly Cash Recipients                                   | 199,482     | 183,255     | 173,150     | 170,546     |
| Average Monthly Health Care Enrollees                             | 522,703     | 505,399     | 506,457     | 532,722     |
| Health Care Providers   | 2,175       | 2,070       | 4,952       | 5,050       |
| <b>General Government</b>   |             |             |             |             |
| Individual Income Tax Payers/Calendar Year                        | 2,395,382   | 2,455,354   | 2,396,305   | 2,442,043   |
| Corporate Income Tax Returns/Calendar Year                        | 46,779      | 46,402      | 41,036      | 44,220      |
| Sales Tax Permit Holders/Calendar Year                            | 264,000     | 267,000     | 248,000     | 250,000     |

Note: N/A = Information not available.

(1) Fiscal year 1997-2003 average daily membership is adjusted to current law which requires that each student can be counted as no more than one.

(2) Certificates of Titles prior to FY 2006 were based on the number of transactions. Beginning in FY 2006, Certificates of Titles were based on number of applications.

(3) Estimate.

(4) 2007 data is as of November 3, 2007

(5) 2007 data is as of September 30, 2007



| 2002        | 2003        | 2004        | 2005        | 2006                     | 2007                     |
|-------------|-------------|-------------|-------------|--------------------------|--------------------------|
| 6,583       | 7,073       | 7,795       | 7,978       | 8,874                    | 8,900                    |
| 15,797      | 16,753      | 19,061      | 18,106      | 19,977                   | 18,979                   |
| 10          | 10          | 10          | 10          | 10                       | 10                       |
| 2,677,848   | 2,700,603   | 2,363,013   | 2,344,311   | 1,542,648 <sup>(2)</sup> | 1,402,284                |
| 22,827      | 22,939      | 18,789      | 23,429      | 23,777                   | 20,975                   |
| 29,024      | 29,078      | 29,153      | 29,130      | 29,100                   | 29,200                   |
| 2,855       | 2,784       | 2,831       | 2,876       | 2,907                    | 2,924                    |
| 247,019     | 250,243     | 252,205     | 252,433     | 253,852                  | 254,087                  |
| 1,513,303   | 1,513,018   | 1,490,110   | 1,478,219   | 1,499,482                | N/A                      |
| 834,974     | 845,379     | 854,110     | 853,999     | 863,434                  | N/A                      |
| 3,856,000   | 3,853,000   | 3,853,000   | 3,853,000   | 3,853,000                | N/A                      |
| 80,900      | 80,000      | 79,600      | 79,600      | 79,300                   | N/A                      |
| 27,800      | 27,700      | 27,600      | 27,500      | 27,400                   | N/A                      |
| \$4,354,098 | \$4,308,299 | \$5,044,372 | \$4,587,304 | \$4,992,676              | N/A                      |
| \$3,615,553 | \$4,074,296 | \$4,937,126 | \$4,936,507 | \$4,746,166              | N/A                      |
| 316,572     | 323,050     | 284,948     | 283,975     | 281,171                  | 289,000 <sup>(3)</sup>   |
| 50,470      | 44,983      | 43,871      | 42,002      | 39,919                   | 39,827                   |
| 839,424     | 835,227     | 829,832     | 825,843     | 826,117                  | 825,617                  |
| 343         | 343         | 343         | 343         | 343                      | 340                      |
| 67          | 78          | 88          | 106         | 125                      | 131                      |
| 113,930     | 115,802     | 117,666     | 118,501     | 119,720                  | 121,511                  |
| 126,215     | 132,586     | 135,819     | 135,494     | 134,220                  | 135,839                  |
| 26,680      | 29,438      | 32,480      | 32,638      | 33,860                   | 33,796                   |
| 24,310,545  | 24,509,182  | 25,263,803  | 25,559,289  | 25,725,125               | 26,007,169               |
| 179,905     | 184,848     | 182,645     | 171,738     | 164,632                  | 159,390                  |
| 579,388     | 636,228     | 649,032     | 663,529     | 667,182                  | 661,265                  |
| 5,250       | 5,517       | 5,491       | 5,726       | 6,276                    | 6,710 <sup>(4)</sup>     |
| 2,415,039   | 2,416,197   | 2,415,563   | 2,501,144   | 2,563,373                | 2,582,071 <sup>(5)</sup> |
| 50,498      | 37,522      | 51,803      | 39,334      | 43,304                   | 23,817 <sup>(6)</sup>    |
| 234,000     | 226,000     | 229,000     | 219,000     | 197,000                  | 172,548                  |

Source: Applicable state agencies.

Note: Of the \$10.4 billion in capital assets owned by the state, \$7.7 billion (74.0 percent) of the assets are allocated to the Transportation function. Assets allocated to the Public Safety and Corrections, Higher Education, and General Government functions account for \$2.4 billion (23.0 percent) of total capital assets. The largest component of capital assets is the Transportation function infrastructure of \$6.0 billion.

